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THE DEVELOPMENT OF THE EXPORT TRADE
IN THE AUTOMOBILE INDUSTRY

A

Graduate Thesis

Submitted To

The Graduate Division

By

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OUTLINE

I Foreword

1. Method of attack
 - a. Choice of Subjects
2. Sources of Information

II General

- 1 Review of Production
 - a. Labor
 - b. Relation to other industries
- 2 Growth of Export Trade since 1902
 - a. Opportunites for expansion
 - b. Ratio of motor vehicles to population
 - c. Problems
 - d. Percentage of American makes now in use.

III American Manufacturer

- 1 Henry Ford - Policies
 - a. Mass production and standardization
 - b. Control of Prime Necessities
 - c. Foreign Sales Policy
- 2 New Ford Motor Co., Ltd. of England
 - a. Extent of operations and proposed expansion
 - b. Sales Policy
- 3 General Motors Corporation
 - a. Expansion of and export trade
 - b. G. M. A. C. Plan (financing)
 - c. Assembly plants

IV Export Markets

- 1 United Kingdom
 - a. Development of automobile industry
 - (1) Post - War
 - b. Protective Tariff - Tax
 - c. Principal Manufacturers
 - d. Registration
 - e. Foreign cars
 - (1) American
 - f. Merchandising
 - g. Installment Selling
 - h. Extent of control of market by foreign cars
 - i. Export trade
 - j. Factors favorable to the industry
- 2 France
 - a. Andre Citroen
 - b. Development
 - c. Registration
 - d. Installment Selling
 - e. Protective Tariff - Tax
 - f. Expansion of American Exports to France and French Colonies
 - g. Factors favorable to the industry
 - h. Export trade.

- 3 Germany
 - a. Adam Opel
 - b. Development
 - c. Registration
 - d. Expansion of American exports to Germany
 - e. Installment
 - f. Export trade
 - g. Protective Tariff - Tax
- 4 Italy
 - a. Development
 - b. Registration
 - c. Expansion of American Exports to Italy
 - d. Protective Tariff - Tax
 - e. Installment Selling
 - f. Favorable Factors to the industry
 - g. Installment Selling
 - h. Export Trade
- 5 Belgium
 - a. Development
 - (1) Exports
 - b. Installment Selling
 - c. Expansion of American exports to Belgium
 - d. Tariff - Tax
- 6 Spain
 - a. Nationalization and development
 - b. Installment Selling
 - c. Expansion of American Exports to Spain
 - d. Protective Tariff - Tax
- 7 Czechoslovakia
 - a. Development
 - b. Registration
 - c. Protective Tariff - Tax
 - d. Expansion of American Exports to Czechoslovakia
 - e. Installment Selling
 - f. Export trade
- 8 Austria
 - a. Steyr and development
 - b. Installment Selling
 - c. Protective Tariff - Tax
 - d. Expansion of American Exports
- 9 Hungary
 - a. Development
 - b. Protective Tariff and Tax
 - c. Expansion of American Exports
- 10 Principal Markets of Oceania -
 - a. Australia (general conditions - tariff)
 - b. New Zealand (general conditions - tariff)
- 11 Principal markets of Africa - Expansion of American Exports
 - a. Union of S. Africa
 - b. Egypt
 - c. British E. Africa

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- 12 Asiatic Markets
 - a. Netherlands E. Indies
 - b. British India
 - c. Japan
 - d. Philippine Islands

- 13 South American Markets
 - a. Argentina
 - b. Brazil

- 14 Canada

V Conclusion

1 Resume of Subject

- a. Factors in Development
- b. Price
- c. Resistance of European Manufacturers
- d. Foreign Purchaser
- e. Dominating position of American Car

FOREWORD.

When I chose for the subject of my thesis- "The Development of the Export Trade in the Automobile Industry", I frankly admit the possibilities of research on the development of travel by motor in far-off countries, seemed to offer some interesting side lights on this great and profitable American product.

The man who was a pioneer in the export branch of the automotive industry, has proven beyond a doubt that his factory branches and assembly plants, although sponsored by American capital, and supervised by American engineers, are an actual asset to the country in which they are located, a means of employment to the native, and wherever possible citizens of the nation are employed in the sales and executive departments of these plants. That feature alone has done a great deal towards making these factories acceptable to the foreign governments concerned, and the large wages paid for native labor is another factor which insures their popularity.

Another American organization has specialized on the feature of financing the sales of their cars abroad; and being able to buy on the hire, or deferred payment plan, is a boom to citizens of the countries impoverished by the World War. This plan has done a great deal also in stimulating the replacement sales; as formerly few foreigners bought a car with the idea of trading it in after a year or two for a later model featuring factory improvements.

These two organizations, Ford and General Motors, I have featured to the exclusion of nearly all the others; because it

is not my idea to discuss the comparative merits of American cars in general, but to show how American makers of cars met and overcame competition in the European countries where the automobile was first developed. To do this it was necessary to break down a great deal of prejudice against American made cars, overcome sales resistance, price our cars to meet the purse of frugal buyers in countries where wages are not nearly as high as in our country, and take account of tariff, duties and their internal revenue tax. In some countries, like Australia, the automobile was listed as a luxury, partially as a war measure, but principally to aid their own manufacturers in developing an industry engaged in building automobile bodies.

In considering the overseas markets in the automobile industry, I had in mind that we export less than 20% of our present production. This percentage, however, I very soon discovered, is so great in number of units and value in dollars and cents as to be simply astounding.

There are so many things to be considered, all seemingly relavent to the subject of exports, such as trade relations with the various nations, conditions of countries considered in the light of potential markets, tariff, rates, license fees, credit and financing, my field of research and study was so vast and comprehensive, my principal difficulty now is in deleting interesting facts and figures, not going into the important feature of style publicity and advertising, particularly the speed tests and popular road-races; and not even mentioning some important export markets, simply for lack of space. Each

sp.

feature could be given the space allotted to the whole subject. So I thought it best to cover several of the big producing countries overseas, who offer the problem of being our good customers and distributors, as well as our very keen competitors. In looking over these competitive markets, I have noted the outstanding features of these countries which seemed to influence the sale of cars, the topography and condition of roads, racial traits and prejudices of their people, and touched very briefly upon their tariff as it affected their demand for our product.

Another thing to be remembered is that my figures as a rule refer only to passenger cars. I have not considered trucks and busses, now being shipped in greater and greater quantities, as small railway lines and inaccessible mountainous regions are being served by motor busses with regular passenger routes and trucks for freight in connection with their railroads, and often operated by them. It is not for lack of appreciation of their importance that I have omitted figures and percentages on the motor trucks and busses, but simply to concentrate on passenger cars in an effort to condense the facts and make the survey interesting and convincing, rather than verbose and statistical.

The subject I have chosen appealed to me more than any other as I believe that the immense expansion of the automobile industry, with its necessary export trade, is one of the main causes of American prosperity.

I have collected my information principally from Market Reviews; Trade Information Bulletins and Commerce Reports;

Published by the Bureau of Foreign and Domestic Commerce; also Commerce Year Books; also from "Automotive Industries" and some data from the publications of the Ford Motor Company and the General Motors Corporation. A great deal of the information has been absorbed from reading the current newspapers and magazines, such as the Automobile Section of the New York Times, financial reports in our Boston dailies, and "American Exporter".

The survey was made not only to demonstrate the expansion which has already taken place in this industry, but also to bring out any features which may prove helpful in aiding in a still greater expansion.

The sources which I have utilized I have found to be the most up to date with reference to foreign markets, especially the Commerce ^{Reports} which are published weekly and contain a review of foreign trade from the various consular offices. The data is presented under appropriate headings. The Trade Promotion Series and the Trade Information bulletins (numerically arranged) have also been very helpful. Both studies of of these publications contain results of major investigations. The principal periodical of the industry, "Automotive Industries", especially the statistical number of February 23, 1929, has been equally valuable.

THE DEVELOPMENT OF THE EXPORT TRADE IN THE AUTOMOBILE INDUSTRY.

The automobile is not only a vast commercial proposition and public utility, but it is also a means of pastime not only to the wealthy class, but to a large majority of the American people. The automotive industry furnishes a means of livelihood to many people here and abroad, and ranks third in our national products.

While the automobile itself did not originate in America, some of our citizens with native inventiveness, ingenuity and labor saving machinery, took hold of this new device of European origin, and so quickly improved and cheapened it, that the motor car which today leads in popularity and quantity in the overseas markets is in almost every instance of American manufacture.

The early European-made automobiles were designed to attract the few seeking a distinctive and luxurious conveyance. They were comparatively large, roomy and elegant vehicles, in the construction of which unusual attention was given to the coach work and to appointments. These earlier automobiles were handmade, and for their construction only the most highly skilled workmen were employed.

Prevailing conditions in the European market tended to develop highly specialized automobiles, with no serious attempt to standardize construction. The owners of these early motor

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cars were confined almost entirely to the sportsmen and luxury-buying class, who employed skilled mechanics as chauffeurs both from convenience and from necessity, since these early automobiles required the constant attention of skilled mechanics to keep them going.

In the first stages of the enterprise, motor cars were designed only to take the place of the horse and buggy, and were used only for pleasure. Almost immediately it was demonstrated that their speed could be developed in a remarkable degree, and it was not long before professional men, especially doctors, found their cars were a business necessity. Then came the real impetus responsible for the growth and power of the automobile industry in our home markets as well as in the export field.

The American automobile is an evolution embodying improvements and changes as experience in service revealed the shortcoming of the vehicle, and the requirements which must be met.

It may give some faint comparative idea of the growth of exports alone, to quote the available figures starting with the year 1902,¹ when we exported cars of American make to the value of \$948,528.

² In 1928 the number of passenger cars exported was 368,328, the value of which is \$263,574,394. These figures which seem so stupendous are but 9.6 per cent of the total production of 3,826,613 passenger cars.

¹
Ref. 21

²
Ref. 12

The following table of production illustrates the enormous growth which has taken place in this industry.

No. 392.—PRODUCTION AND REGISTRATION OF MOTOR VEHICLES

[NOTE.—Figures for earlier years are largely estimates. Beginning with 1921, data include production of plants located in Canada, making motor vehicles of United States design, and foreign assembled cars]

Year	Production ¹						Registration
	Number			Wholesale value (thousands of dollars)			
	Total	Passenger cars	Motor trucks	Total	Passenger cars	Motor trucks	
1900	5,000	5,000					8,000
1901	7,000	7,000					14,800
1902	9,000	9,000					23,000
1903	11,235	11,235		12,650			32,920
1904 ²	22,830	22,419	411	24,629	23,682	947	55,000
1905	25,000	24,550	450	40,000			78,000
1906	34,000	33,500	500	62,900			107,000
1907	44,000	43,300	700	93,400			142,000
1908	65,000	63,500	1,500	137,800			197,500
1909 ²	130,986	127,731	3,255	165,149	159,919	5,230	312,000
1910	187,000	181,000	6,000	225,000	213,000	12,000	468,500
1911	210,000	199,319	10,681	246,000	225,000	21,000	639,500
1912	378,000	356,000	22,000	378,000	335,000	43,000	944,000
1913	485,000	461,500	23,500	443,902	399,902	44,000	1,258,062
1914 ²	569,054	543,679	25,375	458,958	413,859	45,098	1,711,339
1915	969,930	895,930	74,000	701,778	575,978	125,800	2,445,666
1916	1,617,708	1,525,578	92,130	1,082,378	921,378	161,000	3,512,996
1917	1,873,949	1,745,792	128,157	1,274,488	1,053,506	220,983	4,983,340
1918	1,170,686	943,436	227,250	1,236,107	801,938	434,169	6,146,617
1919	1,933,595	1,657,652	275,943	1,885,113	1,461,786	423,327	7,565,446
1920	2,227,349	1,905,560	321,789	2,232,420	1,809,171	423,249	9,231,941
1921	1,682,365	1,529,165	153,200	1,261,667	1,095,883	165,784	10,463,295
1922	2,690,627	2,430,965	259,662	1,793,023	1,571,569	221,454	12,238,375
1923	4,167,455	3,759,704	407,751	2,592,033	2,282,954	309,080	15,092,177
1924	3,733,492	3,317,586	415,906	2,367,413	2,049,102	318,311	³ 17,593,677
1925	4,427,660	3,896,032	531,628	3,015,164	2,555,419	459,744	³ 19,937,274
1926	4,503,531	3,975,640	527,891	3,214,817	2,758,446	456,371	³ 22,001,393
1927	3,573,671	3,086,018	487,653	2,700,706	2,269,056	431,650	³ 23,127,315

¹ See headnote.

² From United States Census reports.

³ Includes road tractors (excluding farm tractors) not included prior to 1924.

Sources: National Automobile Chamber of Commerce and Bureau of Public Roads.

No. 393.—PRODUCTION OF OPEN AND CLOSED CARS BY PRICE GROUPS IN UNITED STATES AND CANADA ¹

Year	Under \$1,000		\$1,000 to \$2,000		\$2,000 to \$3,000		\$3,000 and over		Per cent closed, all classes
	Open	Closed	Open	Closed	Open	Closed	Open	Closed	
1919.....	888,500	87,900	532,200	46,300	52,900	16,700	23,100	10,100	9.7
1920.....	904,900	213,700	545,300	74,300	63,200	17,800	49,700	14,300	17.0
1921.....	820,100	224,600	287,800	65,000	51,600	30,100	19,500	15,300	22.1
1922.....	1,343,000	431,400	315,400	207,300	11,700	48,200	8,700	32,100	30.0
1923.....	2,074,200	994,100	396,300	221,000	7,700	37,500	2,900	27,300	34.0
1924.....	1,646,700	788,300	203,900	517,000	26,900	93,700	3,800	40,500	43.3
1925.....	1,354,400	1,342,600	266,300	751,900	28,800	115,200	3,500	37,100	57.6
1926.....	892,700	1,898,800	154,000	841,000	25,200	129,900	8,100	24,300	72.8
1927.....	320,100	1,672,500	205,000	715,800	29,700	111,100	5,800	26,100	81.8

¹ Prior to 1922 figures are based only on price of five-passenger open cars of a given chassis. Thus, if this model sold for less than \$1,000, the total production of cars with the same chassis is included in the "under \$1,000" class, even though closed models sold for over \$1,000. In 1922 and later years actual f. o. b. prices of open and closed models are considered separately and the cars included under proper classification.

Source: Automotive Industries. The grouping is based on retail prices f. o. b. factory.

It is easy to understand why our Government takes such a great interest in the exportation branch of the automobile industry when we consider the number of people employed in this industry and its relation to other industries.

¹

During 1928 there were 3,692,000 people employed directly in the automobile industry, and 371,000 employed indirectly, making a total of 4,063,665.

Employment & Wages in Motor Vehicle Factories		
<u>Year</u>	<u>Number</u>	<u>Wages</u>
1919	210,559	\$312,165,870
1920	244,700	490,160,000
1921	186,000	299,098,780
1922	253,104	395,707,531
1923	318,098	579,002,686
1924	329,563	547,215,700
1925	361,442	649,668,839
1926	375,281	657,724,859
1927	324,665	585,823,733

²

Capital Invested in Automobile Manufacturing *

1919	\$784,660,761
1920	897,953,600
1921	1,134,166,000
1922	1,154,103,335
1923	1,281,364,300
1924	1,373,372,426
1925	1,503,290,062
1926	1,646,589,759
1927	1,643,989,116

* The above figures represent net tangible assets of U.S. motor vehicle manufacturers, and do not include parts, accessories, body and tire manufacturers.

¹

Ref. 1

²

Ref. 8, P. 16

In addition to labor one must also consider the consumption of prime necessities required in the manufacture of cars, and the following facts show that it requires imagination and vision to comprehend all the factors involved.

1

Number of carloads of automotive freight shipped over railroads in 1928	3,600,000
Rubber used by automobile industry	85%
Plate glass used by " "	60%
Copper used by " "	12%
Iron and steel used by " "	15%
Gasoline consumption by motor industry	80%
Gasoline used in 1928 (gals.)	10,860,000,000
Motor Oil used in 1928 "	434,000,000
Crude Rubber used in 1928 (lbs.)	814,000,000
Cotton fabric in tires "	299,500,000

From the foregoing figures it can readily be seen how important the automobile industry is to the growth and prosperity of our great country.

Due to our superior manufacturing methods, mass production and our vast available resources, it is very evident that America can compete successfully with all other nations in exporting automobiles to the overseas markets.

From the following tabulation of our automotive exports it will be seen that our exports continued to expand, even during the period of the World War. During that time, however, much attention was given to the development of the South American markets; and even then it was felt that Argentina was a big potential market.

The only perceptible decline in our exports came in 1918, the year the World War was ended, and in 1921 with the collapse of the inflationary boom which was simultaneous almost all over the world.

Exports of Automobiles from the U.S.

	<u>Value</u>	<u>Number</u>
1		
Automobiles & parts	1902	
Passenger	\$948,528	
	1903	
	\$1,207,065	
	1904	
	1,895,605	
	1905	
	2,481,243	
	1906	
	3,497,016	
	1907	
Automobiles - passenger	4,890,886	2,862
Parts -	611,355	
"	1908	
"	4,656,991	2,477
"	620,856	
"	1909	
"	5,387,021	3,184
"	605,179	
"	1910	
"	9,548,700	6,926
"	1,641,520	
"	1911	
"	12,965,049	11,803
"	2,544,180	
"	1912	
"	21,550,139	21,757
2	4,107,155	
" (complete cars)	1913	
passenger	25,343,644	25,880
"	1914	
"	19,521,708	22,335
"	1915	
"	35,045,090	41,864

1
Ref. 21, P. 431

2
Ref. 22, P. 526

Exports of Automobiles from the U.S. - Cont'd.

	<u>Value</u>	<u>Number</u>
1	<u>1916</u>	
Automobile, passenger (complete cars)	\$43,725,087	61,922
	<u>1917</u>	
	51,872,905	65,756
	<u>1918</u>	
	36,278,292	36,936
	<u>1919</u>	
	73,700,527	67,145
	<u>1920</u>	
	152,694,024	130,711
Chassis -	12,561,897	11,797
	<u>1921</u>	
	28,978,634	26,592
"	3,555,091	4,358
2	<u>1922</u>	
Passenger Automobiles and Chassis	20,505,000	42,234 Valued up to \$800
	24,621,000	22,532 Over \$800 up to \$2000
	5,923,000	2,025 " \$2000
	<u>51,049,000</u>	<u>66,791</u>
Parts (except Engines and Tires)	38,298,000	160,524 M lbs.
3	<u>1923</u>	
Passenger Automobiles and Chassis	18,607,000	52,539 Factory List Price
	19,698,000	29,697 Up to \$500
	44,591,000	41,998 \$500 to \$800
	7,796,000	2,801 \$800 to \$2000
	<u>\$90,692,000</u>	<u>127,035</u> Over \$2000
Parts for replacement	58,975,000	
	<u>1924</u>	
Passenger Automobiles and Chassis	\$21,486,000	59,175 Up to \$500
	29,012,000	42,406 \$500 to \$800
	52,083,000	46,256 \$800 to \$2000
	9,953,000	3,543 Over \$2000
	<u>\$112,534,000</u>	<u>151,380</u>
Parts for replacement	21,965,000	
Parts for Assembly	44,975,000	
	<u>1925</u>	
Passenger Automobiles and Chassis	\$37,170,000	100,230 Up to \$500
	42,919,000	60,448 \$500 to \$800
	62,831,000	59,848 \$800 to \$1200
	27,747,000	18,565 \$1200 to \$2000
	14,219,000	5,215 Over \$2000
	<u>\$184,886,000</u>	<u>244,306</u>
Parts for replacement	29,213,000	
Parts for Assembly	42,487,000	

1
Ref. 22, P. 526

2
Ref. 22 A P.448

3
Ref. 23, P. 511

Exports of Automobiles from the U.S. - Cont'd.

	<u>Value</u>		<u>Number</u>
	<u>1926</u>	Factory	List Price
Passenger Automobiles	\$38,150,000	98,106	Up to \$500
and Chassis	46,059,000	67,187	\$500 to \$800
	59,326,000	56,275	\$800 to \$1200
	17,272,000	11,218	\$1200 to \$2000
	15,625,000	5,754	Over \$2000
	<u>\$176,432,000</u>	<u>238,540</u>	
Parts for replacement	36,075,000		
Parts for Assembly	38,535,000		
¹	<u>1927</u>		
Passenger Cars	\$23,455,325	63,270	Up to \$500
and Chassis	50,215,348	90,214	Over \$500 to \$800
	71,303,088	83,453	" \$800 " \$1200
	40,422,571	32,429	" \$1200 " \$2000
	22,570,124	9,382	" \$2000
	<u>\$207,966,456</u>	<u>278,748</u>	
Parts for replacement	50,177,408		
Parts for Assembly	41,294,855		
Parts, except Engines and tires	15,250,600		
	<u>1928</u>		
Passenger Cars	\$149,986,264	280,440	Group A, low price, up to \$1000
and Chassis	85,731,122	76,334	" B, medium price, over \$1000 to \$2000
	27,857,008	11,554	" C, high price, over \$2000
	<u>\$263,574,394</u>	<u>368,328</u>	
Parts for replacement	60,333,587		
Parts for Assembly	62,420,537		
Parts except Engines and Tires	20,885,426		

²
 " In more than 160 countries, scattered over the Globe, the automobile has already become a factor. In more than 30 of these territories the ratio of automobiles to population is now better

than 1 to 100. Or, in other words, more than one-fifth of these countries are now enjoying an intensive distribution of automobiles comparable to that which existed in the United States prior to the World War. Some of these countries have a relatively small population, as for instance Mocalla, an isolated Arabian state, with a ratio of 1 to 99 persons and a car population of 122. Opportunities for great expansion in such territories obviously are limited. An off-setting extreme is in the countries of large population where the ratio runs very high, as, for instance, in Ethiopia with 10,000,000 inhabitants and 109 automobiles, giving a ratio of 1 to 91,743.

These extremes do not nullify the fact that many foreign countries are approaching a ratio which at least suggests prospects that automobile development within their boundaries may soon become comparable to the strides made in the United States. The United Kingdom now has one automobile for every 41 persons; France one for every 40; Canada one for 10; Germany one for 137; Australia one for 14; Denmark one for 41.

The comparison suggests the great expansion in world markets which lies ahead, for forces similar to those which have caused the American industry to grow so rapidly are now operative in other sections of the Globe, and the desire for individual transportation is as apparent in the coolie astride the elephant as in the Indian prince with his newest transportation, -- the motor.

There are many problems still to be solved before that desire can be gratified universally. High tariffs, low purchasing power, poor roads and other phases of foreign life, place obstacles along the road to complete motorization of the world; but in their solution, American manufacturers are adopting forward-looking policies, and steadily entrenching their position in the world markets.

Of a grand total of 29,687,499 automobiles reported in service throughout the world on Jan. 1, 1928, it is estimated that 26,597,186 or 89.6% are of American manufacture. Excluding the United States and Canada, there were at the beginning of 1928 5,475,812 automobiles, of which 2,434,974, or 42.6% were American makes. The United States and Canada had 81.5% of the world's total on Jan. 1, 1928. These two markets have become replacement markets. In them new prospects for automobiles are becoming more and more limited. Beyond their borders, the possibilities are practically unlimited.

While there were 1,124,849 automobiles added in the more stabilized domestic market during 1927, there were 968,441 added in the foreign markets, inclusive of the noncontiguous territories of the United States; this compares with the 1926 increase of 2,086,058 within the United States and of 711,562 outside."

One of the pioneers in the foreign field in the United States was Henry Ford, who was the first to see the possibilities in the export trade. The fact that he had specialized on

one particular car, and could produce it cheaply in such enormous quantities, enabled him to compete with the cars of foreign makes in the markets of the entire world. Ford agencies sprung up overseas like mushrooms in a sheep pasture; and no country however remote or unpromising was overlooked by the super-salesmen sent abroad by the organization to "tell the world" about American Automobiles.

Ford's car was simple in design, light in weight and built to stand up under severe conditions; for these reasons it seemed the type of car best adapted to the requirements of the majority of people in every country, and the price was cheap.

One of the factors which enables the Ford Motor Company to produce the Ford car cheaper than any other manufacturer has thus far been able to do, is their Company's control of the prime necessities, -- coal, iron, wood and glass, as well as their more complete protection against non-supply from any source or for any reason, such as high prices, transportation difficulties or labor troubles, notably coal strikes which were so often the cause of periods of non-production.

Henry Ford had the confidence in his ability to produce an inexpensive car, and the vision to see the increased demand for such a means of conveyance both here and abroad. Knowing that his Company would be able to meet this enormous demand by standardization and mass-production, Mr. Ford insured against accidental delays in his factories, assemblies and service plants by acquiring the coal mines and iron industries now

operated by his own organization.

Ford business in the foreign field is handled on the principle of direct representation through large organizations located at strategic trade centers; and quoting from their own literature, -- "There are in no sense transplanted American branches, but separate companies organized in accordance with the laws of the country in which they are located, and a distinct part of its business and economic life. Naturally the Ford manufacturing methods are in force." These Ford factories benefit the country in which they are located, through promoting transportation and providing steady employment at high wages for many people. There is no "stone-walling" of native firms if they can show that it is to the advantage of the company, the individual plant or the Ford user to have certain items supplied by them. Tires are a notable case in point in France, Germany, Belgium and Italy.

The Ford organization by the exercise of this sales policy, the use of native labor, as well as the use of citizens of the country in which their factories were located in their selling force, overcame much of the prejudice against American made products. Their salesmen spoke the language of the country, and understood local conditions thoroughly; and it was a prime argument to show that by helping the new industry, they were actually helping themselves. Because of these foreign units, deliveries of their cars, parts, accessories, etc., can be quickly made from a nearby branch, eliminating unusual delay.

Every foreign country presents a different sales problem to the American manufacturer, who looks to the exportation branch of his industry to take care of his surplus product, and practically every maker of automobiles comes under this caption. First to be considered is the topography of the country, road conditions, wage standards and resulting standards of living, import duties and national taxes, foreign exchange, fuel prices and the general social, political and economic situation. Even religion is used, -- as the Buddhists of India deprecate the use of animal labor, and the automotive salesmen of Ceylon use it as a persuasive selling point.

It has not been found that there are any substantial differences in cost of assembly in the various countries where plants are in operation. Differences in the cost of completing vehicles for distribution are almost entirely due to variations in output and in import duties. Labor costs are practically the same in all assembly plants despite differences in wage rates, for it is found that the rates of wages applying in the various countries are more or less equalized by the different degrees of efficiency of the workmen.

Another important link in the chain of units which make up the self-contained Ford organization, namely, the fleet of ships flying the Ford standard, engaged in foreign and coastwise shipping, was a big factor in promoting the exports of the firm. These big steel freighters, operating from New York as their home port, have been specially fitted with racks to hold such

articles as Ford engines, et cetera, without the use of boxes or containers. Such a method effects a considerable economy in exportation, as the cost of making crates and packing securely for the trip overseas runs into a considerable amount of money.

The Ford interests in Great Britain, Europe and parts of Asia and Africa will be further expanded in the near future by the establishment of the new Ford Motor Co., Ltd. of England, which was recently formed with a capitalization of \$35,000,000. The stock of this new company was offered to the public at a par value of £1 a share, and was subscribed many times over.

This new company will take over and operate assembling and manufacturing plants at Manchester, England; Cork, Ireland; Paris, France; Berlin, Germany; Antwerp, Belgium; Barcelona, Spain; Copenhagen, Denmark; Trieste, Italy; Stockholm, Sweden; Helsingfors, Finland; Rotterdam, Holland. From these plants the company will assemble, distribute and market Ford and Lincoln cars, Ford trucks and Fordson tractors in Great Britain and Ireland, in the continent of Europe (except Soviet Russia), in Egypt, certain other parts of Africa, Palestine, Arabia (except Aden) Iraq, Persia and Afghanistan. No British colonies or dependencies in Africa are among the territories reserved to the British company, Ford products required therein will be supplied by the Ford Motor Co. of Canada.

A new factory which is located at Dagenham, England, twelve miles from the center of London, has already been started; and it is expected that production from this factory

will start in 1930. This factory will be the largest outside of the United States, having a capacity of 200,000 cars and trucks per annum.

Arrangements have also been made for an additional assembly plant to be built and equipped at Constantinople, Turkey.

The new company in general will follow the policies of the American Ford Company. As in the past each assembly plant is a separate organization. The control of same is, however, vested in the new British company as of January 1, 1929, instead of the American Ford Company. For a while all components will be supplied from Detroit and partly assembled trucks and cars from the present plant at Manchester, England, though under the control of the English Company instead of the American concern. When the new factory is completed all parts and body work required by the European assembly plants will be manufactured there.

There is, however, no intention at the present time to manufacture Lincoln cars in England. For the time being, the organization of each Ford plant will requisition the American company for Lincoln supplies, but in the future this will be done with the knowledge and approval of the English executive.

Under the new selling scheme which came into effect January 1, 1929, certain classes of dealers may sell and stock other makes, as long as the latter are not directly competitive. Dealers are divided into four classes, termed, respectively, main dealers, sub-dealers, retail sub-dealers and limited dealers.

Each main dealer is given a reserved territory of fairly large area and under him work the sub-dealers and retail sub-dealers. The retail sub-dealer may be any bona fide and established motor trader in the main dealer's territory, although the main dealers and sub-dealers have been chosen almost entirely from the organization existing prior to the beginning of this year. Each of these first three classes contracts to take a given number of vehicles in the year, and the discount earned immediately on individual sales is supplemented by rebates awarded on a sliding scale according to the number of vehicles taken. Thus every vehicle sold in a main dealer's territory assists him in earning his rebate, although there is nothing to prevent a sub-dealer from earning an equivalent rebate if he sells the requisite number of cars. The maximum rebate is gained by the dealer who can dispose of five hundred vehicles either to the public direct or to the dealers under him.

The fourth class - the limited dealer - is any bona fide motor trader in the main dealer's territory. He differs mainly from the retail sub-dealer in that he has no contractual obligations, and merely signs a price maintenance agreement. With reference to discount, the limited dealer class is sub-divided. The man who qualifies to give Ford service obtains double the discount (ten per cent) allowed to the garage or service station proprietor who is unable to do so. The penalty for price cutting in all cases is a fine of £100, or its equivalent and the sacrificing of the discount earned by the sale.

With reference to time sales, these eventually may all be financed by the Ford Credit Co., Ltd., a British subsidiary located at present in Manchester. As far as possible the following terms will apply to the sale of cars and trucks: Down payment of at least twenty-five per cent, with payment of the balance, plus charges, in monthly installments within twelve months, the buyer contracting for insurance at his own risk and expense. The minimum charges are allowed for a down payment of fifty per cent and the balance within six months.

With regard to service and replacement supplies, each assembly plant will arrange with its dealers, as in the past, to insure that efficient service shall at least keep pace with sales and foster the latter.

As might be expected, competition from the Ford standpoint is keenest in France, Italy and Germany, where purely native products have considerable advantage in view of the heavy duties on imported cars. This particularly applies to France where the duty payable works out at 49.7 per cent ad valorem. Elsewhere the Ford is at least on equality with the products of other manufacturers both European and American, and stands to advantage in a very big market on the basis of performance, service, price and established reputation.

A corporation which has also shown remarkable growth in their export branch in the past few years is General Motors Export Company, whose exports for 1928 exceeded those of the previous year by 45%.

I quote from the company's published facts:

¹ Year	Total Sales U.S. & Canadian cars and trucks	Sales (cars and trucks) of General Motors' (over seas	Ratio of G.M. Sales to total
1922	176,842	21,872	12.37%
1923	231,365	45,000	19.45
1924	398,221	64,845	16.28
1925	508,360	100,894	19.84
1926	492,123	118,791	24.34
1927	482,329	193,830	40.19
1928*	278,643	137,470	49.34

* 1st 6 months.

It may be seen from the above figures that starting in 1921, ten years after their organization, General Motors Export Company really supplied only one-eighth of the cars shipped overseas. This percentage, (12.37% for 1922), however, has shown a steady growth year by year over the preceding year, until at present 50% of the American cars exported are the product of General Motors. Their overseas policy is to develop business by building in the most substantial manner possible, and by making their firm a real factor in the industrial life of each country served.

There is opportunity to compare in this one organization the growth of their export branch, by dissecting the tabulation of their foreign sales. Up until 1924 General Motors was strictly an exporter of automobiles, with about twenty-five traveling representatives abroad. Realizing the importance of extra-territorial factories, in this year (1924) they established a plant in Denmark for the assembly of their low-priced car, the Chevrolet; and in the same year assembly operations were established by General Motors, Ltd. in London.

This policy was developed rapidly, until at present G.M.C. carries on twenty-six overseas operations under twenty-two individual subsidiary companies, all of whose stock is owned by the parent corporation. The following table shows the growth of stockholders, common and preferred, of the General Motors Corporation.

General Motors Corporation Stockholders

¹ Years	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
1917	1,927	2,525	2,669	2,920
1918	3,918	3,737	3,615	4,739
1919	8,012	12,523	12,358	18,214
1920	24,148	26,136	31,029	36,894
1921	49,035	59,059	65,324	66,837
1922	70,504	72,665	71,331	65,665
1923	67,115	67,417	68,281	68,063
1924	70,009	71,382	69,428	66,097
1925	60,458	60,414	58,118	50,917
1926	54,851	53,097	47,805	50,369
1927	56,520	57,595	57,190	66,209
1928	72,986	70,399	71,682	71,185
1929	*104,202			

*Senior securities of record Jan. 7/29 and common stockholders of record Feb. 16/29.

The overseas operations of the General Motors Corporation has been effective in overcoming tariff obstacles purposely imposed by governments against articles of foreign manufacture, especially those, as in the case of our automobiles, where the component parts are made from raw materials furnished by ourselves. Since the organization of these foreign assembly plants, operated by subsidiary companies incorporated under the laws of the particular country in which they are located, the number of American cars in operation abroad is greater than

those of any other nation.

It may be seen from the foregoing that our export activities, and the good results shown, are due to the fact men of brains, of vision and of courage were sent overseas to do the pioneering work; and justified the selection of the out-of-doors type of man, in preference to the studious type, versed in languages and diplomacy. One firm chose a former foot-ball captain, an ex-officer of gunnery in the U.S. Navy, an air-mail pilot and the driver of a racing-car; all of these men were selected for responsible positions abroad chiefly because their training qualified them with that form of courage, commonly called "nerve", before which many of the problems of the foreign business have been found most vulnerable.

General Motors Corporation produce a very high type of car, as well as medium and cheap.

At the present time Chevrolet, Pontiac, Oldsmobile, Oakland and Buick passenger cars are being assembled by the overseas plants. The volume of sales of Cadillac and LaSalle overseas does not warrant these cars being assembled, but they are being sold by the overseas organizations. It is probably due to this fact that as a result of a careful survey of conditions abroad, they formed their General Motors Acceptance Corporation, of which they sent this explanatory bulletin to their stockholders:

"In every overseas country where General Motors has an assembly plant or warehouses, there is a branch of the Acceptance Corporation which furnishes a financing service (1) to the

assembly plants, (2) to the overseas dealers and (3) to the retail buyers.

Dealers pay for their cars upon the GMAC wholesale plan, and may sell their cars to users upon the GMAC retail plan, whereby the retail buyer makes a substantial down payment and liquidates the balance in equal monthly installments, the credit terms being set in accordance with the retail purchaser's income and ability to pay. In those overseas countries where there are no assembly plants or warehouses, the Acceptance Corporation offers financing facilities whereby General Motor cars may be paid for by the dealer at the point of importation in the overseas countries, instead of New York City. This is accomplished by means of documentary drafts drawn on the overseas dealer, the terms being such as to offer either facility of payment or credit. These drafts are drawn in American dollars, or in the currency of the country of the dealer, and are of three classes: (a) drafts drawn payable at sight; (b) time drafts, documents to be delivered against payment; (c) time drafts, documents to be delivered against "acceptance".

From the beginning of the Overseas Department of the Acceptance Corporation in 1919 to the end of 1927, this Department has purchased the obligations of overseas dealers and retail buyers totalling \$256,804,446, of which \$75,200,855 was in 1927.

In addition to their effective methods of financing sales in the export market, General Motors has made an investment overseas of over 55 million dollars in plant, equipment, inventories

and working capital. In that way the organization is not merely selling its cars in these markets, but is in business in those countries, and is making itself a part of the economic life of those nations; and many thousands of people in every country of the world are directly dependent upon this automotive industry for their daily bread."

The manufacturers who do not maintain warehouses or assembly plants abroad have not been as successful in meeting foreign competition. This seems to account for the fact that the two organizations taken for illustration purposes have acquired the lion's share of the foreign trade.

While it is a fact that America practically controls the world markets in the automotive industry, this does not mean that we have not met some very keen competition, especially from the United Kingdom, France and Germany. Now that these European countries are recovering from the inroads made by the Great War, their minds return once more to securing commercial supremacy in the exportation industry. Their home markets are not as large as our own, and it is only by exporting their products in large quantities that they can hope to stabilize their currency. Now that they are all back on a gold basis, it remains for them to try and balance their huge imports from outside nations, by pushing their exports to the limit of their power of production.

What more natural than that they should concentrate on the automobile? It originated in Europe, and while Yankee

ingenuity may have taken it to their industrial centres and improved upon certain marketable features, it still remained for Europe to make capital of our improvements and methods in their own markets, protected as they are by high import duties. This has been done so very effectively in France, that André Citroen is as well known in the overseas market as our own Henry Ford, whose standardization and mass-production methods he employs, as well as the idea of reassembling the Citroen in British, Italian and other countries.

To take these things in their proper sequence, we must devote special consideration to a few of the largest export markets, for the sake of comparing their methods of manufacture, operation and financing, for upon all these foundations the great sales structure is built.

The principal producing countries are England, France, Germany, Italy, Belgium and Czechoslovakia to whom we export in considerable numbers as shown by the following tabulation.

Exports of Passenger Cars from the United States,
by number and value, 1913, 1923-1927.

Country of Destination	1913		1923		1924	
	Number	Value	Number	Value	Number	Value
Europe:						
Belgium	94	\$85,679	4,931	\$2,655,794	1,576	\$1,665,840
Denmark	81	77,149	1,796	1,323,455	716	692,528
United Kingdom	3,795	2,907,427	7,582	4,999,942	6,118	5,483,125
Germany	845	764,389	64	91,654	2,347	2,723,991
Spain	186	127,621	6,330	4,628,283	4,980	4,244,382
Sweden	256	235,918	6,744	4,162,801	2,759	2,398,835
Other Countries	2,298	1,846,046	9,349	5,667,359	8,551	6,769,094
Total	7,555	6,044,229	36,796	23,529,288	27,047	23,977,795

Country of Destination	1925		1926		1927	
	Number	Value	Number	Value	Number	Value
Europe:						
Belgium	5,193	\$4,318,332	6,542	\$6,338,235	13,686	\$12,221,059
Denmark	8,044	4,138,193	10,132	5,748,941	14,841	8,493,038
United Kingdom	17,599	16,218,380	5,826	4,820,984	11,185	8,868,034
Germany	3,623	4,599,283	3,220	3,438,757	8,474	8,596,059
Spain	6,384	6,309,345	5,056	5,012,919	7,515	7,708,885
Sweden	3,378	3,317,992	3,608	3,514,030	5,651	5,177,551
Other Countries	17,999	13,486,400	12,733	10,365,630	18,528	16,325,656
Total	62,190	52,387,925	47,117	39,239,496	79,880	67,390,282

GREAT BRITAIN.

Great Britain ranks second only to the United States as an automotive producing and consuming country. British engineers were among the first in the field in car manufacturing, but the principal development of the British motor industry has taken place since the World War. Today on its manufacturing side the automotive industry ranks first in importance among the engineering trades. Its growth has followed closely similar lines in the United States, but with this important difference. The import trade has played a major role, and car design has been tremendously influenced by British methods of taxation, as well as consideration of operation and upkeep costs. The horsepower tax of £ per annum per horsepower on passenger cars exceeding six horsepower has proved a very effective deterrent to the British automotive industry. As a result many makes of light cars from seven to twelve horsepower are now on the market, which have sufficient power on the excellent roads in Great Britain. However, these have proved unsuitable in many foreign markets where high powered vehicles are needed.

The following figures of the number of people employed in the British automobile industry gives a general idea of the growth of the volume of production.

Employment in the Motor Industry

1			
1907	34,000	1924	219,000
1911	66,000	1925	235,000
1921	159,000	1926	241,000
		1927	257,000

¹ Ref. 30, P. 1324

The salient features of the post-war history of the industry are indicated in the following table.

Private Cars and Chassis

¹ <u>Year</u>	<u>Home Consumption*</u>	<u>Imports</u>	<u>Exports</u>	<u>Production</u>
1919	71000	4972	1754	24,000
1920	122000	29192	6718	50,000
1921	250000	8273	2962	32,000
1922	315000	20317	2441	58,000
1923	381000	24127	5007	66,000
1924	4740000	21648	12477	105,000
1925	580000	41837	23233	121,000
1926	684000	16491	259111	138,500
1927	786000	27219	28557	157,000
² 1928			(estimated)	250,000

* An import duty of 33-1/3% was imposed as from Sept. 29, 1915, and was not removed until August 1, 1924. It was reimposed on July 1, 1925, and is still in force. The British preferential rate is ³22-2/9% ad valorem at the present time. During the period from August 1, 1924 until July 1, 1925, when the duty of 33-1/3% was suspended, it is worthy of note that American branches of factories in Canada increased their production during that period, up to the time the McKenna Duties were reimposed. There were many cars shipped direct to England during that time, which would ordinarily have been exported from Canada. It was not until the last months of 1926 that Canadian plants resumed normal production.

¹
Ref. 30, P. 1324

²
Ref. 27, P. 217

³
Ref. 25

During the war the use of motor vehicles in Great Britain was restricted by D.O.R.A. regulations, and their importation was discouraged by the imposition of the McKenna duties (33-1/3% ad valorem), in order to cut down the tonnage for non-essential vehicles and their supplies for liquid fuel. At the same time a large number of cars were commandeered for military use at home or drafted to the various war areas. The number of cars in use decreased from ¹85,000 in 1914 to ²50,000 in 1918. Meanwhile the production of British motor firms was confined to munitions, and all export markets were lost.

In 1919 the demand both at home and for export was greater than the British industry could supply after turning from war production. For two years the enlarged capacity of the industry was fully occupied in spite of heavy imports and the liquidation of the pick of the stock of war vehicles by the War Disposals Board. In 1921, with the collapse of the inflationary boom, the more costly British cars were the first to feel the effects of the contraction of purchasing power. The position was aggravated in England by the sale of large quantities of derelict cars. In the overseas market, apart from the price factor some makes of British cars exported during the boom were found unsuitable to overseas requirements, and gave the British industry a bad name. Neither the import duties at home nor the preferential tariff abroad were sufficient to bridge the gap between British and American prices.

American manufacturers were thus enabled to consolidate their position in this country and in all the principal export markets.

At this point an external factor of vital importance to the British industry began to take effect. On January 1, 1921, the Motor Spirit duty had been changed in favor of a graduated tax on the horsepower of private cars. This tax encouraged the British industry to concentrate on the production of a light "high-efficiency" engine with which Americans could not compete owing to its unsuitability for their home market. This fact and the assistance of the McKenna duties gave British manufacturers an advantage in the home market, and production improved in 1922. The drop in prices through the possibility of mass production had by 1923 given a fillip to the export business as well. Since 1923 production and exports have increased regularly while a steady import decline was interrupted in 1925 when the temporary removal of the import duties created an artificial rush to land foreign cars in England before the duty was reimposed.

Although the number of manufacturing firms in Great Britain is large, there are relatively few firms making automobiles in large quantities. Mass production as it is understood in the United States has not been extensively developed. During the past few years, however, a few firms have attempted car manufacture on mass production lines, and with considerable success. The two outstanding firms are the Morris and Austin Companies.

The Morris Company ranks as Great Britain's leading manufacturer, producing nearly one-half of the total number of automobiles manufactured in the country.

Production of the Morris Company

1	1920	357
	1921	2927
	1922	5156
	1923	17286
	1924	27551
	1925	48717
	1926	56000
	1927	60000 (estimated)

This firm makes the Morris-Cowley and the Morris-Oxford light cars, also trucks. Their employees number about 10,000, and the firm is understood to pay an average wage considerably above that for the motor industry as a whole, 79 shillings for a five-day week.

The Austin Company ranks as the second largest producer of automobiles in England, manufacturing seven, twelve and twenty horsepower models, as well as commercial vehicles. Their total output for the year 1926 was approximately ²25,000, and for the year 1927 their production was increased 20%. No other English manufacturers seem to approximate the Austin and Morris firms from the standpoint of production.

Local body building on imported chassis is also an important part of this industry, although not as extensive as it was before the introduction of the new types of American closed cars.

The following figures show the remarkable growth in registration of motor vehicles during the past decade.

Registration of Passenger
Cars in Gt. Britain

¹ <u>Year</u>	<u>No. of Cars</u>
1913	68,000
1919	71,000
1924	474,000
1925	580,000
1926	686,000
1927	778,000

During the year 1926 the production of cars and trucks² was 180,000, representing a factory value of approximately \$27,000,000. In the passenger car manufacturing industry alone, more than twenty millions of capital was invested, while the revenue resulting from the horse-power tax exceeded³ seventeen millions pounds in 1926.

The above tabulation shows the extent of the importation and sale of foreign vehicles. For the year 1926 there were 686,000 cars registered, which indicates cars of other nations sold totaled over half a million.

There are seventy-eight foreign made cars in the British market, divided among the various nationalities:

⁴ American Cars	-	32
French	"	28
Italian	"	11
Belgian	"	4
Austrian	"	2
German	"	1

1,2, & 3

Ref. 11, P. 1 & 8

4

Ref. 11, P. 14 & 15

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American Cars	33	-
French	28	-
Italian	11	-
Belgian	4	-
Austrian	3	-
German	1	-

A number of American, French and Italian cars are almost as universally well known as British makes, and continue from year to year to gain in popularity.

Of the thirty-two American cars as shown above on the British market, twelve leading makes are assembled or partially assembled locally. For example, the Ford automobile is now completely manufactured in the Ford British factory. Over there it is designed expressly for the British market. The labor employed is British, also some of the material and equipment used in its manufacture. The fact that the sales organization is right on the ground is an important factor from the standpoint of meeting local competition. All this may account for the fact that the American motor vehicles sales for 1927¹ in Great Britain amounted to about 25,000 cars and trucks.

Other American firms import cars unassembled, thereby saving considerable expense in freight and duty. In this way, too, it is easier to make such changes as are necessary to make their cars more saleable in the British market. For example, British taste demands to a greater extent than American, nickel plating on exposed metal parts; low and deeply inclined seats are preferred, as well as a wider variety of color finished, even on the inexpensive cars. This policy has meant greater popularity for certain American makes, causing them to become almost household words.

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The machinery for merchandising is similar to the American. Distributors are appointed at various points throughout the country, and given a closed territory throughout

the country as far as wholesale business is concerned. No closed territories for retail sales are prescribed. The distributors are expected to appoint dealers and sub-dealers within their territories and see that proper servicing facilities are kept available. Contracts usually for one year are made between distributors and manufacturers and between dealers and distributors, in which the terms and conditions are set forth. These contracts are usually made at the time of the motor show, when some idea may be gained of the quantity which can be sold in the distributor's territory. Exclusive representation in England by dealers is rarely obtainable owing to the highly competitive conditions. Firms representing foreign manufacturers are commonly termed "concessionaires".¹ One leading American company averages between 400 and 500 dealers throughout England, Scotland and Wales and 100 in Ireland. Another important American company maintains agree-²ments with about 450 dealers while two other American firms³ with good distribution have approximately 200 dealers each. The local selling price is usually left to the concessionaire, but with American cars, this is usually not difficult to arrange, as owing to high British cost of production, American cars can be priced lower than comparable British domestic makes.

One important point in favor of the American car, particularly those assembled in Great Britain, is that discounts can usually be granted at higher figures than those allowed by British manufacturers. The average discounts allowed on American⁴ makes are 22 to 25 per cent and by British manufacturers 17½ to 20 per cent.

At this point it is significant to note that the sale of automotive vehicles on the installment plan has made great strides in the British market during the last few years. In London and some of the other large cities it is estimated that at least 20 - 65% of the passenger cars are now sold on this basis. Some of the principal manufacturers, notably the Morris Company finance their own time payment plans, and of recent date some of the more important dealers in London have undertaken similar schemes. In general, however, the financing of car possession by installments or "hire-purchase" as it is called in Great Britain is handled by separate financing companies, of which there are a half a dozen firms and headquarters in London. The usual terms are 21% down, the balance in monthly installments, spread over a term of twelve to eighteen months, although a period of two years before the final payment is not unusual. Owing to the ease of obtaining credit and other information regarding a prospective purchaser, the manufacturers and financing companies maintain these long terms can be successfully granted without undue risk. In an old established community like Great Britain there is less likelihood of a purchaser violating any agreement whereby his credit and standing in the community is adversely affected. If he does, and moves away to another district, his reputation follows him without difficulty. This situation simplified the position for companies engaged in financing time-purchase agreements, and insures them to a certain extent against bad risks.

The hire-purchase contract is the same as the conditional sale, the owner contracting to rent the vehicle to the "hirer" or lessee (purchaser) for a certain period and stipulating a certain number of installments to be paid. When the final rent payment is made the lessee has the option of purchasing the car, or one like it, for a nominal sum, or possibly no additional sum at all. Title is not automatically transferred on final payment. The lessees must first exercise his option; the lessor or owner must then convey title.

An important distinction must be kept in mind between the conditional-sale and the hire-purchase contract; in the former the purchase is bound by contract to complete the installment payments, whereas in the hire-purchase agreement he may free himself from its terms by refusing to continue to pay the rent, in which case the owner is entitled to immediate possession. In other words, the hire-purchase contract is binding on the lessor, but not on the lessee. This distinction assumes especial importance in England for instance, where the hire-purchase contract must carry this provision or else be considered as an absolute sale, transferring title immediately and allowing the purchaser to give good title to an innocent third party.

The finance charge ordinarily is a flat rate only, which may vary from ¹4% to 10% on the unpaid balance after the first payment; 5 to 7% is customary. The practice is best explained by an example. A car costing £ 400, sold through a finance

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The finance charge ordinarily is a flat rate only, which may vary from 4% to 10% on the unpaid balance after the final payment; 5 to 7% is customary. The practice is best explained by an example. A car costing £400, sold through a finance

company demanding 25% down, leaves due a balance of £300 spread over a period of 12 months. The finance company makes an interest charge of say 7% or £21, leaving a balance of £321 to be paid by the purchaser during the next 11 months.

Fire, theft and collision insurance is required, the full premium being paid by the purchaser at the time of sale. Some finance companies act as the insurance agent or broker; in some cases, particularly where dealers do their own financing, the dealer himself so acts and receives a commission. The finance company invariably insures against risk of default or conversion. Banks in Great Britain do not discount automobile paper. Finance companies discount bills, but use of such bills is small in comparison with sales made under the hire-purchase contract. Some dealers carry their own paper. The same is true also of a few well-known British manufacturers, such as the Morris Co.

Frequently but not invariably, the dealer indorses and guarantees the paper and gives an agreement to repurchase a car if repossessed. Other indorsers or guarantors are required if the agent or finance company should not be satisfied as to the credit standing of the prospective purchaser.

The number of repossessions is estimated at ¹ $1\frac{1}{2}\%$ by number and ² 1% by value. It is the common practice of the finance company to make the repossession and turn the car over to the dealer for resale, the dealer making up any deficit which may have occurred in the transaction; however, under the

hire-purchase contract the purchaser is liable to the dealer for the deficit.

Under the hire-purchase contract the car may be repossessed from an innocent third party, except where bills were taken and discounted; then the car could not be repossessed, since the law assumes that title passed to the first purchaser as soon as the bills were discounted. The owner prevails over the purchaser's trustee in bankruptcy. If the purchaser should sell the car or move to another country without the consent of the owner he is criminally liable. The law of hire purchase does not specifically require that excess from the sale of the repossessed can be turned over to the purchaser though it is the practice of some of the leading finance companies to do so. No legal formalities are required to accomplish a sale of this kind; the car may be sold in any manner. Registration of contracts is not required.

British automobile manufacturers or their dealers have apparently no finance facilities in this territory that are not available to American manufacturers or dealers; in fact, the American interests in some cases seem to have rather the advantage. None of the general finance companies discriminate in favor of any particular nationality.

It cannot be said that more adequate facilities are now needed, since they are already available to any one who desires to purchase a car on time.

The most valuable and effective factor in automotive selling in Great Britain is press advertising, and all manufacturers and importers utilize it. Advertising has made great strides in this country and all modern mediums are available.

Our greatest success in the British market has been due to our ability to supply a medium and high-powered car of excellent appearance and performance at a relatively low price. In this field the American car stands practically alone, and it is on that basis that a substantial volume of our export yearly sales is obtained by many types of American cars.

We have succeeded in controlling ¹21% of the British market through catering to British taste, and assembling, also manufacturing medium and high-powered cars locally. This method has created good will, and has incidentally meant the employment of local labor. This fact seems remarkable to say the least in view of the fact that the British passenger car market is a very highly competitive one, and eight manufacturing countries are actively represented. It is shown that five different British cars control ²about 45% of the market; twenty-four French cars control ³18%, and the remainder is made up of Italian, German, Belgian and Canadian cars.

American manufacturers feel that the high operating taxes in the British Isles was the prime factor in retarding our foreign sales, and preventing an even higher percentage of automotive exports.

The British export trade has received considerable attention during the last three or four years. Special emphasis has been laid on the desirability of widening the market in British Empire countries like Australia, New Zealand and South Africa, where British goods receive preferential tariff consideration, as shown by the following table.

¹
British Exports (11 months) 1928

	<u>Cars</u> <u>No.</u>	<u>Parts</u> <u>Value</u>	<u>Chassis</u> <u>No.</u>
Argentina	184	£81,547	496
Australia	497	190,528	7,605
Belgium	24	15,064	11
Brazil	19	44,443	165
Brit. Africa	2180	200,884	565
" India	2752	210,535	365
Canada	40	18,073	119
Ceylon	696	22,512	49
China	150	7,358	20
Denmark	169	12,107	21
Egypt	236	11,086	97
France	752	42,121	62
French Indo China		3	
Germany	81	75,060	25
Irish Free State	3124	160,603	358
Italy	60	37,680	11
Japan	185	13,462	43
Mexico		1,501	
Morocco	1	86	4
Netherlands	143	43,202	91
New Zealand	1922	67,265	571
Norway	57	3,744	14
Portugal	75	21,664	64
Russia	8	7,887	
Siam	59	5,127	7
Spain	254	20,999	53
Straits	940	47,933	230
Switzerland	21	7,053	2
United Kingdom	1		
United States	33	11,161	3
Other Countries	1670	223,564	652
	<u>16334</u>	<u>£3,276,219</u>	<u>11,704</u>

In comparing the foregoing figures with exports of passenger cars from the United States it will be readily seen that despite the British preferential tariff in British Empire

countries, exports from the United States far outnumber the British exports. For example, during 1928 there were exported from the United States to Australia 38,352 passenger cars and 17,305 trucks, to New Zealand 10,251 passenger cars and 2,306 trucks, and to the Union of South Africa 21,033 passenger cars and 4,271 trucks. In general it may be said British manufacture, which specializes to a large extent on small cars of low horsepower, feels keenly the American competition abroad, where, in many countries, operating conditions demand a more powerful car. The British industry has consequently lost valuable outlets for volume sales, which would have caused greatly increased production in the home factories.

Close study has been given to vehicles designed to be more suitable for export markets than the standard British cars and trucks, and much headway has been made in design alteration to suit all requirements. Most of the leading automobile manufacturers in Great Britain now maintain export departments. Except in one or two instances they do not maintain assembly plants abroad, but sell through distributors. The Morris Company, however, has an assembly plant in France, and the Austin Company have entered into an agreement with a German firm for the production of the seven horsepower Austin car in Germany.

Some of the reasons why Great Britain has been such a good market for our automotive exports will be mentioned very briefly.

Although Great Britain is famous for its continuous rain and fog, the climate is equable in so far as there occur no great extremes of heat or cold. This feature naturally favored development of motoring. The Englishman's well-known love for outdoor sports and recreation is unquestionably another important feature in the development of their automobile industry.

Another factor is the market's steadily increasing purchasing power. A striking example of this may be cited. During the prolonged coal stoppage in 1926, accompanied at the start by a general strike of transport and other workers, every other industry suffered a loss. The British manufacturers of motor cars and trucks, however, produced and sold more vehicles in 1926 than in any previous year of the industry.

Also, judged by European standards, the British standard of living is exceedingly high. Wages are good, and the actual and potential car owning public is in excess of any country except the United States.

The roads of Great Britain have certainly aided in the development of motoring, and are among the best in the world. A number of the old Roman roads still exist and are in use, while some of the modern roads and highways are built over the old Roman roads, the latter making an excellent foundation for the new construction. The total road mileage is in excess of 178,000 miles, an impressive figure in view of the relatively small area of the country. There is hardly a hamlet which

is not intersected by a first-class thoroughfare, and these are kept in perfect condition by local authorities which are subsidized by the Road Board from funds obtained from the motorists themselves (horsepower tax).

FRANCE

The country next in importance in the foreign markets is France. The competitor in France of whom Americans hear more often is Andre' Citroen, whose methods of production more closely approximate our own Henry Ford's than any other foreign manufacturer. In fact, his adoption of the American mass production methods has revolutionized the industry in Europe, and has aroused other makers from their torpor. He concentrated on a single model,-- small, light and low powered,-- the Citroen. The daily output of his factory in Paris is 400 cars. Considering the fact that the total output of French cars for 1927 was estimated at 190,000 (Commerce Year Book, 1928) it is evident that Citroen contributes over one-half of the French cars made.

The first Citroens appeared in October 1920, and by the beginning of 1922 the output of 100 cars a day had been attained and maintained. During the interval a 5 horsepower car had been added to the original 10 horsepower. One of the underlying principals of this organization is that of keeping abreast of public requirements; improvements are made every year and models changed every two or three years. In 1926 the B-14 was introduced to be replaced at the end of 1928 by the two present models, the C-4 and C-6.

It is interesting to note that the light all-steel body and the specialized machines used for its mass production are American imports.

Dependence on American tool makers is admitted, but the fact that the Citroen factory is separated by the ocean from the source of supply does not place it in an unfavorable position. A technical office is maintained in New York, and another one has just been opened in Detroit. Practically every department head in the organization has visited the United States, to keep acquainted with the new tools and new methods being developed by machine tool makers. In this way new machinery can be secured as soon as it is placed on the market, and it is claimed that it can be installed and put into operation in less time in Paris than in Detroit. The Citroen is painted by an American process, and some of the buildings in which it is manufactured have been designed by American engineers. In spite of these American features, the Citroen is a distinctly European car, and perhaps for that reason is our biggest competitor in Europe.

The company has nine factory branches in France with 400 agents and 3,000 sub-agents. Other factory branches are located in North Africa, Belgium, Switzerland, Spain, Scandinavia and the Netherlands as well as assembly plants in England, Italy and Germany.

In addition to Citroen there are over one hundred French firms manufacturing automobiles, the total production

of the leaders during 1927 - "Citroen", "Renault and "Peugeot"¹ totaling 149,000 cars and trucks, or more than 78% of the entire output of the French automobile industry. During 1927 the next eight manufacturers in importance, Berliet, Donnet, Mathis, Unic, Chenard-Walcker, Talbot, Relage and Hotchkiss are estimated to have put out 30,900 units, or 16% of the total.

French Automotive Production

²	Number
1923	125,000
1924	145,000
1925	177,000
1926	200,000
³ 1927	190,000
1928	200,000 (estimated)

During the last two years French production has varied little, but prior to that time the output increased steadily. The French industry with almost three times as many makes as exist in the United States, during 1927 produced less than one seventeenth as many as were turned out in the United States. The continued existence of some of the smaller companies is made possible only by the highly developed individualism of the French people, which until recent years has discouraged mass production. The gradual disappearance of the weaker manufacturers is generally regarded as inevitable.

It was in France forty years ago that the first automobiles were produced, yet during the year 1927 France obtained⁴ from the United States 45% of its imports of cars and 77% of its imports of trucks. The largest competitors of the United States in the French passenger car market are Italy, Belgium and Great Britain in the order named; for trucks the only

¹ & ³

Ref. #27, P. 217

²

Commerce Yr.Books

³

Ref.27,P.217

⁴Ref. 33, P. 348

competitor of any consequence is Belgium.

According to the world census of registration of automobiles as of January 1, 1928, there were in operation in ¹France and its possessions 718,791 passenger cars, 12,656 busses and 303,072 trucks, or a total of 1,034,520 automobiles, of which about 15.5% were American. This favorable position of the United States car is maintained in the face of high tariff duties, of propaganda designed to create preference to production of the mother country, of the fluctuation of the franc, and of transportation difficulties.

²Approximately 50% of low-price cars, 75% of trucks and 90% of busses and taxis are sold on the installment plan. The percentage of higher price cars decreases in direct proportion with the increase in price.

The conditional-sale contract (*vente à tempérament*) is used. The so-called hire-purchase contract is generally interpreted by the courts as a purchase; the only way to provide security to the seller under this method is to have the purchaser assign the contract to the seller. In other words, there must be a specified contract, as in the conditional-sale, stipulating that title passes only on payment of the final installment; otherwise title passes to the purchaser as soon as the price is agreed upon and the goods sold are definitely selected and specified. No chattel mortgages may be given.

³The usual down payment is 25 to 33 per cent. The usual period is 12 to 18 months, except on trucks, busses and taxis which usually are sold one-third down and the remainder spread

over 18 months. The finance charge is usually a flat rate spread over the entire installment portion. The basis, however, varies with the company. Some of the largest French manufacturers are financing their retail sales either directly through a special organization of their own or through outside financial companies. In addition certain dealers have their own arrangements with bankers.

Fire, theft and collision insurance is required and is usually paid for by the purchaser at the time of the contract. Finance companies usually act as insurance agent or broker and naturally try to sell the insurance for their company.

Banks seem unwilling to interest themselves in the automobile retail business or in garages. Dealers do not carry their own paper.

Whether the dealer indorses or guarantees his paper is nearly always a matter of agreement. Usually the insurance company takes from 75 to 80% of the risk and requires the dealer to take the remainder. The insurance company generally has no recourse against the dealer, though sometimes the latter guarantees to resell the car at a fixed price. When the buyer is weak financially, he may be required to obtain an indorser.

Defaults justifying repossession are negligible, amounting normally to less than one-half of 1%. The insurance company makes repossession, but the dealer usually has a moral obligation to help dispose of the vehicle.

Repossession from a second purchaser has to be made through the intermediary of the purchaser and then only if the purchaser agrees, if the car has not been entirely paid for by the second purchaser, and if the latter still has the car in his possession. The practical effect is to annul any right of the owner to follow the car into the hands of an innocent third party. The owner does not prevail against the trustee in bankruptcy. Theoretically the buyer is criminally liable if he sells the car or moves to another country without the consent of the owner; in practice, however, the statutes are seldom invoked, and it is believed they would not be very helpful to the owner.

Excess, if any, must be returned to the purchaser who, on the other hand, is usually liable for any deficit (depending, however, on a decision of the court in the particular case). Sales may be either public or private, Registration of contracts is not binding on third parties.

European automobile manufacturers or their dealers have no finance facilities not available to American manufacturers or dealers. Nevertheless, more adequate facilities in France would be a great help to sales of new and used cars. Dealers state that present sales are handicapped by inadequate facilities. Extension of this service would have a very beneficial effect on the sale of American cars and would at the same time have an even greater effect on the sale of low-price French cars which make up the bulk of French production.

The high French tariff with the exception of the period immediately following the War to the United States is 45% ad valorem, and this preferential rate also applies to the United Kingdom, Canada and Belgium; while to other nations, particularly Germany the rate is 180% ad valorem. The horsepower tax is also high, but is less than in England, and cars of foreign makes are given an arbitrary speed of five revolutions per second more than those of French make in determining by their formula the horsepower taxability of cars. The rates in detail are as follows:

¹
Passenger Cars

Minimum Tax	360 Francs
Per Additional Horsepower	
From 1 - 5 "	72 "
" 5 - 10 "	90 "
" 10 - 20 "	108 "
" 20 - 30 "	126 "
Over 30 "	144 "

There is also a luxury tax of 12% which is levied on the duty paid value. The usual French automobile tax is reduced by one-half for automobiles operating on producer gas. The installation of various forms of gas producing devices in French automobiles and trucks is increasing and the government desires to favor the development of gasoline substitutes.

²
The rate of 45% ad valorem also applies to American vehicles in Martinique, Guadeloupe, French Guiana, French Indo-China, Algeria, New Caledonia, Tunisia, Madagascar and Reunion, while in each case the French cars are admitted free of duty.

In order to avail themselves of this rate American

¹
Ref. 20, P. 24

²
Ref. 33, P. 348

manufacturers must ship their cars either direct or via a French port. In many cases this restriction is a distinct hardship on American cars for often shipping facilities are not available, and the shipment to a French port and re-loading and re-shipment requires more time to say nothing of the transportation charges and the tying up of capital while the goods are in transit.

During the past several years the American car has had another disadvantage to face. Dealers in France and the Colonies have been reluctant to enter into engagements calling for the payment of goods in dollars because of the possibility of the decrease in value of the franc when the time arrived for the payment in American currency. However, this disadvantage will disappear now that the gold standard has been resumed by France.

The present rates of tariff duty in the French possessions are as follows:

¹	Rate
French Morocco	12½% ad valorem
Africa, which includes Senegal the Sudan, Fr. Guinea, Mauritania. Upper Volta and Niger Territory	5% plus a surtax of 7%
Ivory Coast and Dohomey	10%
New Hebrides	5%
French Somahiland	1% on invoice value plus 25%

In each instance except the surtax of 7% above mentioned, French automobiles must pay the same tax as the others.

In French Oceania the duty on foreign automobiles is 20% ad valorem, with French vehicles free of duty.

¹Ref. 33, P. 348

There are no duties on automobiles in Miquelon and St. Pierre.

Despite the high tariff walls and advantages enjoyed by automobile producers of the mother country, sales of United States automotive products to French possessions are increasing. In 1927 the total value of such exports was ¹\$1,625,510 as compared with \$1,389,245 in 1926 and \$515,567 in 1923, increases of 17% and 83% respectively. On the other hand our shipments to the mother country in 1927 showed increases of only 1.5% and 2.7% over the 1926 and 1923 figures.

The following table of our automotive exports will show our steady increase in exports to the French possessions, notwithstanding the preference given to French cars.

¹

Ref. 33, p. 348.

United States Exports to France & French Possessions

	<u>1913</u>	<u>1923</u>	<u>1924</u>	<u>1925</u>	<u>1926</u>	<u>1927</u>
1 France	\$815,798	\$4,568,287	\$5,898,265	\$7,917,496	\$4,624,546	\$4,692,021
Miquelon & St. Pierre		3,996	2,503	3,218	1,310	3,092
French W. Indies	4,089	39,505	27,096	39,828	10,186	39,497
" Guinea	683	2,868	5,852	3,583	8,649	1,810
" Indo-China		40,520	12,882	49,467	28,803	32,494
" Oceania	21,594	29,906	58,351	44,338	26,221	44,033
Algeria & Tunisia		43,342	40,351	90,369	57,782	148,096
Madagascar			509	146	80	2,470
Other French Africa	8,228	160,168	178,597	457,705	447,940	230,780
Morocco (Spanish & Fr.)		195,262	150,432	382,639	238,255	440,896
Syria					570,019	682,342
Total	\$850,392	\$5,083,854	\$6,374,838	\$8,989,059	\$6,013,791	\$6,317,531
U.S. Automotive Exports to Entire World	33,800,000	182,600,000	222,600,000	333,500,000	337,500,000	406,000,000
Percentage of Exports to France & its Colonies	2.5	2.8	2.9	2.7	1.8	1.6

Encouragement has perhaps been given to the industry by the authorities in tolerating races and permitting touring at high speed on public highways throughout the whole of France together with good hotel accommodations in the cities and towns, which has tended to foster automobiling in this country. In fact, great advertising capital is made out of road races, endurance tests and hill-climbing contests, which are held throughout France the year round. Facilities in general for advertising abound; Citroen illuminated sign on each side of the Eiffel Tower, forming a column of light 984 feet high, is perhaps the most spectacular single automobile advertisement in the world.

France is probably the most interesting of the European countries for touring on account of its historic wealth and its recent battlefields. The roads generally are not good. The total road mileage of France is 440,085, of which but 24,660 miles are improved. There is considerable pavé, and some parts of the country are impracticable for motoring. It is not unusual to motor over fine roads for miles, and then strike on a particularly bad patch. There is an excellent road leading from Paris to the Mediterranean coast, also a delightful road stretching from the Spanish border line over the Pyrenees. This line is a road of communication between some of the most famous of the French thermal resorts, and it closely connects the wonderful coast road which includes Biarritz and St. Jean de Luz. The roads in the mountainous regions of France are better, probably due to the fact that

they get more attention than the ordinary roads; the roads through the French Alps being particularly good. It is almost impossible to get away from the rough pavé in nearly all the sections of France, but no doubt the future will see a great improvement.

It is during the last ten years that France has proven our second largest competitor, as naturally during the World War local conditions in France were such as to entirely preclude production. From available figures, France appears to me to be our biggest potential competitor. Citroen alone has become an important factor, with several of his factories organized on 1,000 daily production schedule with the resulting expansion each year in his domestic and foreign activities as well as the "Renault" and "Peugeot" plants in Germany. The exports of automobiles from France in 1927 were approximately ¹ 27% of the production.

The following tabulation shows that the exports play an important part in the industry.

<u>French Automotive Exports</u>	
2	
1897	\$121,000
1898	340,000
1899	832,000
1900	1,834,000
1901	3,070,000
1902	5,883,000
1903	9,898,000
1904	13,825,000
1905	19,568,000
1906	26,833,000
1907	28,098,000
1908	24,779,000
1909	28,541,000
1910	31,510,000
1911	30,795,000

¹
Ref. 27, P. 217

²
Ref. 3, P. 1418

Values in Millions of Francs

1	1913	227	(gold)
	1919	125	(paper)
	1920	884	"
	1921	666	"
	1922	557	"
	1923	812	"
2	1924	\$79,572	
	1925	110,963	
	1926	83,151	

The United States automotive exports necessarily far outnumber the French as shown by the following tabulation.

In further comparison, it would seem that the French exports are decreasing in number rather than increasing, inasmuch as the total automotive exports for the years 1926 and 1927 were 59,770 and 51,983, respectively.

French Exports (10 months) 1928

	Cars No.
5	
Argentina	228
Brazil	44
Canada	3
Denmark	565
French Indo-China	1759
Germany	804
Italy	212
Japan	57
Madagascar	356
Morocco	1521
Norway	17
Portugal	291
Russia	45
Spain	4881
Switzerland	1436
United States	93
Other countries	11709
Total	<u>31662</u>

1 2 3 & 4
 Ref. 34 . Commerce Yr. Books Ref. 27, P. 218

5
 Ref. 28, 349

France appears to be a very promising future market, the present ratio of motor vehicles to persons being but one to every ¹36.6 in a population of ²40,745,874. Andre' Citroen is reported to have stated that every twentieth person in France is an automobile prospect, and he estimates that the total sales will be about 1500 a day in France during the next seven or eight years.

At this point it is interesting to note a recent dispatch in one of our newspapers which stated that the price of the cheapest Ford car had been reduced to 25,700 francs (about \$1004.) which is practically the same price as the 4-cylinder Citroen, despite a 45% tariff which must be paid on the American car. The dispatch went on to say that other Ford models will be priced to meet similar Citroen models, thus giving the American and the "French Ford" as the Citroen is sometimes known, an even break in France and other Continental countries.

1

Ref. 35, P. 465

2

Ref. 6, P. 549.

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GERMANY

Turning to the German market, we note that the motor show held in Berlin in 1928 was of an international character for the first time since 1911. Although the war has been over for ten years, no British passenger cars were exhibited. Of the 135 models shown, 48 were foreign including 22 American makes. The remaining 26 included French, Italian, Belgian, Austrian and Czechoslovakian cars.

The leading producer in Germany is the firm of Adam Opel located at Ruedesheim am Rhein in the southwestern part of Germany. It is estimated during 1928 there were ¹85,000 units produced in Germany, and of this number Opel produced half. The other principal producers are "Brennabor" who produced during 1927 ²8,000 units and "Horch" who produced ³6,000 units in the same year. These were principally of the four and six cylinder types.

The present rate of production of the Opel factory is ⁴about 125 cars a day. Production capacity is about ⁵250 cars a day, and it is equipped to increase its production rapidly when business conditions warrant it. Opel, like Citroen in France shortly after the World War adopted the American mass-production methods, so also did the "Brennabor" adopt this method. After an inspection tour of some of our largest automobile factories in the United States, their factory was equipped with American machinery, especially American machine tools. This firm has been manufacturing bicycles for several

¹
Ref. 17, P. 633

^{2 & 3}
Ref. 27, P. 217

GERMANY

Turning to the German market, we note that the motor show held in Berlin in 1938 was of an international character for the first time since 1911. Although the war has been over for ten years, no British passenger cars were exhibited. Of the 135 models shown, 45 were foreign including 22 American makes. The remaining 88 included French, Italian, Belgian, Austrian and Czechoslovakian cars.

The leading producer in Germany is the firm of Adam Opel located at Rueschheim on the Rhine in the southwestern part of Germany. It is estimated during 1938 there were 55,000 units produced in Germany, and of this number Opel produced half. The other principal producers are "Brennabor" who produced during 1937 8,000 units and "Horch" who produced 6,000 units in the same year. These were principally of the four and six cylinder types.

The present rate of production of the Opel factory is about 135 cars a day. Production capacity is about 250 cars a day, and it is expected to increase its production rapidly when business conditions warrant it. Opel, like Citroen in France shortly after the World War adopted the American mass-production method, so also did the "Brennabor" adopt this method. After an inspection tour of some of our largest automobile factories in the United States, their factory was equipped with American machinery, especially American machine tools. This firm has been manufacturing bicycles for several

years, and is now the largest producer of bicycles in the world. During the war the factory was used for the production of Vehicles for military use. In 1924 after the stabilization of the mark, their first automobiles were produced on mass-production methods, and were called "frogs" because of their small size and green color; they were soon well known throughout Germany. These cars have been popular since their introduction, chiefly on account of their reasonable cost, which has been maintained since their introduction.

At the present time the Opel plant builds about 28 models, but concentrates on three types, the 4-cylinder 4-horsepower, the 4-cylinder 10-to-40 horsepower and the 6-cylinder 12-50 horsepower. The Opel is still the leading seller in Germany, probably due to the fact that spare parts may be obtained at any time. Opel is represented throughout Germany by a large number of dealers; its policy being to have exclusive dealers who handle no other product.

This plant has been recently purchased by the General Motors Corporation at a price of \$30,000,000¹. It is intended to increase the export of Opel cars to countries like Argentina and Brazil. It is not thought that this will in any way interfere with the demand for American cars, but rather increase it, as no doubt better contracts will be gained by manufacturing in Germany.

Strenuous efforts are being made by German makers to bring their operations up to an efficient basis, which has been lacking in the past as compared with other European

¹Ref.53

manufacturing countries. This has taken the form of consolidation in some cases, the most important probably being the concentration of the Daimler, Benz and Mercedes production under one company in the summer of 1926. Other companies in an effort to increase their efficiency of their turnover are purchasing more of their assembly units from outside. No German cars are assembled outside of Germany.

The total production of cars in Germany for 1927 was valued at \$196,500,000, compared with \$165,750,000 in 1925. Eleven per cent of the total in 1927 was produced by foreign assembly plants. These foreign assembly plants incidentally are producing 215 cars per day which are strictly American make, -- about 100 General Motors as compared with 50 Ford cars per day.

The number of passenger cars produced in 1928 was estimated at about 100,000, of which American assembling plants turned out 22,000, against 14,458 in 1927. It may be due to this fact that Germany production figures have increased so noticeably in the last few years, as shown below.

	⁷ 1925	1926	1927	1928
Passenger Cars	39,080	31,958	84,668	100,000

The registration in Germany has steadily increased until in 1928 it totaled 519,000, comprising 387,700 passenger cars and 131,400 trucks. For the first time official statistics show the participation of foreign vehicles in the registration as follows, passenger cars foreign 19.8%, which leaves a considerable percentage for cars of domestic manufacture,

and shows Germany to be far ahead of any of its competitors in its own market.

Most of the passenger cars in use in Germany are of 6-horsepower or less, showing that economical German prefers the smaller car.

It is estimated that American passenger cars account¹ for 35,000 out of an approximate total of 125,000 sales during 1928; other foreign imports totaled about 10,000, of which the Fiat sales were the largest and the Citroen next.

Of the 18,000 passenger cars imported into Germany in 1928, about² 13,000 were of American make.

After the World War our automotive exports to Germany were practically negligible. However, the gradual rehabilitation in this country has resulted in a steady demand, and by 1924 a remarkable increase was shown³ 2,347 passenger cars being exported from this country. In 1925 the figure rose⁴ to 3,623 passenger cars, while in 1928 a record of 12,607⁵ passenger cars was attained, showing that the American cars are gaining increasing favor in the German market.

Selling motor vehicles in Germany on the installment plan is now firmly established.

Approximately⁶ 75% of passenger cars and 100% of busses and taxis are sold on the installment plan; while financially strong customers usually pay cash for trucks, 100% of the smaller customers buy them on time. The conditional-sale

1 & 2
Ref. 48

3 & 4
Ref. 26, P. 597-8

5
Ref. 12, P. 355

6
Ref. 4, P. 23

contract is preferred. The usual down payment for all types of vehicles is 25%. The remainder is to be paid in 18 months and in exceptional cases 24 months; there are cases, however, where the period runs only 12 months.

The finance charge is a flat rate only, 9% of the unpaid balance if for 12 months and $13\frac{1}{2}$ per cent if for 18 months. It is spread over the term of installments.

Fire, theft, collision and liability insurance is required. The premium is spread over the term of the paper and included in the finance charge, the finance company acting as agent for the insurance company; if the purchaser insures elsewhere he usually must nevertheless pay a flat charge or commission to the finance company. The dealer receives a commission of 10% of the insurance premium from the finance company and the latter insures against risk of default or conversion.

Local banks do not readily discount automobile installment paper; hence, finance companies often rediscount outside of Germany. Dealers very rarely carry their own paper.

The dealer indorses and guarantees his paper to the finance company and gives agreement to repurchase the car if repossessed. Whether other indorsers or guarantors are required depends on the financial standing of the purchaser; if he is considered weak, indorsements by relatives, partners, etc. must be furnished.

Less than 1% of cars sold on the installment plan (new and second-hand) result in defaults. The acceptance is protested against the purchaser, and the dealer as the indorser

is required to pay. If the dealer is not sound financially, the finance company itself reposses the car. When the insurance or finance company repossesses, it sells the car. The purchaser, on the other hand, is liable to the dealer for the deficit.

Repossession is not good against an innocent third party who has taken possession and has made the first payment to the first purchaser. Repossession may be effected against a trustee in bankruptcy. The buyer is criminally liable if he sells the car or moves to another country without the consent of the owner. Any excess above the debt owed to the owner must, in case of repossession and sale, be turned over to the purchaser. Registration of contracts is not constructive notice to a bona fide second purchaser.

The Opel Company and others have their own finance organizations, cheaper than finance companies because the manufacturers use customers' acceptances to pay for their own purchases, and thereby save interest and rediscount charges. The present facilities, however, are considered entirely adequate.

Advertising has not advanced as rapidly in Germany as it has in the United States, nevertheless, the American manufacturers have found that it has aided greatly in sales promotion and in securing the best dealers.

German exports of vehicles have become relatively insignificant since the World War period, totaling 2081¹ in 1926. In 1927 exports almost doubled as shown by the following tabulation, indicating that the industry has apparently overcome the first phase of re-organization and is now reaching

out for new and increased markets.

German Automotive Exports

	<u>1926</u>	<u>1927</u>
Switzerland	62	425
Austria	99	401
Hungary	67	320
Netherlands	130	276
Russia	344	254
Czechoslovakia	67	218
Spain	72	205
Rumania	38	161
Brazil	52	152
Japan	41	102
Other Countries	<u>1,109</u>	<u>1,548</u>
Total	<u>2,081</u>	<u>4,062</u>

Exports for 1928 constituted only about 5.5% of production. With the exception of Switzerland and Austria, German exports were rather evenly divided among Hungary, Russia, Netherlands, Czechoslovakia and Spain. It is interesting to note in comparison that in 1913 passenger cars¹ exported numbered roundly 6,800 cars, as against 5,136 in 1911,³ 3,399 in 1910,⁴ 1,838 in 1909,⁵ 1,151 in 1908 and 958 in 1907. The net wholesale values of German cars exported in the first quarter of 1927 averaged \$1339⁶ as contrasted with the United States average value of \$740 in 1926, thus showing that the German exports consist mainly of de luxe cars.

Although a few European cars, such as the Fiat, Citroen and Minerva are represented in Germany they are not sufficiently popular to compete seriously with American automobiles. The principal competition is provided by the

German automobile industry, which has been making every effort to maintain its dominating position in the domestic market. The high production costs and the limited extent of the Germany industry as compared with the American industry has made it impossible for German manufacturers to produce at corresponding prices, automobiles of the same class as the American products. The price scale of American cars including the duty is not appreciably higher than the German price scale, for example, low and medium priced American cars sell for 4,000 to 16,000¹ marks, while the average prices for German cars of the same class sell from 3,750 to 15,750 marks. In general, however, the market is believed to be better for medium priced cars.

A number of objections have been raised to American cars by prospective German purchasers, but their good selling points outweigh these handicaps. Prospective buyers are greatly pleased with the elasticity, rapid acceleration, silence, and satisfactory performance of the American motor, which adapt the American cars so well for city use and which permit one to travel throughout most of the country without shifting gears. They are also impressed by the car's easy riding qualities, its smartness and simplicity, all of which stand out in contrast to the ponderous construction of the European vehicles of the same price.

Good roads in Germany have been developed beyond the average for Europe. Remnants of roads built by the Roman Empire are found in Alsace-Lorraine, near Regensburg, and in southern Bavaria. These roads have been rebuilt and kept in repair, but they are, nevertheless, on the same foundation as

the original Roman military roads. The best German roads now are those lying in and between the great industrial districts such as the Rhineland and Ruhr, Upper Silesia, Saxony, and the district tributary to Berlin. However, a company of prominent bankers in Berlin recently organized and obtained a substantial American loan for the purpose of improving the roads.

There are now over 100,000 automotive vehicles in Germany¹ (1 automobile to every 73.4 persons). With their population² of 62,348,782 people and a network of good roads over almost the entire country and the largest number of urban centers in any European state, Germany ultimately will have the largest number of auto registration in western Europe. For these reasons Germany seems a good objective for American exporters.

This is particularly true since the Government has reduced the import tariff on foreign cars. The following rates which appear to be reasonable have been in effect since July 1, 1928, and are assessed on the net weight of the car.

³	<u>Weight</u>	<u>Gold Marks</u>
	250 to 500 kilos	75
	500 " 900 "	75
	900 "1200 "	75
	1200 "2200 "	75
	2200 "3200 "	40
	Over 3200 "	30

Chassis as well as bodies with motors for motor vehicles no matter whether they enter with axles, wheels, or steering gears are subject to the same taxation as provided for automobiles.

¹,
Ref. 28, P. 273

²
Ref. 6, P. 549

³
Ref. 25

The hindrance of large cylinder content, which has confronted American manufacturers in the past and prevented sales from reaching still higher levels has also been removed with the change in tax on automotive vehicles effective April 1, 1928 and expiring April, 1931, as follows -

¹

Passenger cars, 12 marks for every 100 cubic centimeters engine displacement.

In addition there is a sales tax of three-fourths of one per cent on all vehicles.

ITALY

The yearly production of cars in Italy for 1927 was ¹64,760 units, of which the domestic market consumed ²34,182 units. Of this production Fiat turned out about ³80%. Some of the other factories in the order of their importance produced approximately the following amounts, "Lancia" ⁴2000 "Ansaldo" 1,000 "Citroen" 1000 (70% Italian labor and material, ⁵"Ceirano" 600 and "Bianchi" ⁶500. During 1927 no Italian cars were assembled outside of Italy.

The estimated production of automobiles in Italy is shown in the following tabulation.

⁷

1924	-	35,000
1925	-	39,573
1926	-	64,760

The registration figures on January 1, 1928 were ⁸120,000 passenger cars, 35,000 trucks and 3600 busses, the ratio to population being 1 to ⁹191.2.

During the War Italy kept up her production of automobiles to a greater extent than France or Great Britain. For this reason at the close of the War Italy immediately sought foreign markets in which to dispose of her cars.

One reason perhaps why Italy must export such a large percentage of her automobiles is due to the fact that once an Italian owns a car he is no longer considered a prospect. Their automobiles are seldom turned in for new ones, but are used until they are worn out. It is, therefore, necessary to be constantly developing a new field of prospects. In our own

country the yearly automobile shows present the latest thing in car style before the average American buyer, with the result that his last year's model is turned in for one of latest design.

The United States automotive exports for 1928 to Italy¹ were 2,566 units valued at \$2,054,069; for 1927 they were 849² units valued at \$718,755, which are substantial increases over those for 1918 when 99³ units were exported from the United States and 1919 when 26⁴ units were exported. During the years 1914 and 1915 there were 342 and 114 units respectively shipped⁵ to Italy from the United States.

Low and medium-priced automobiles form the bulk of our exports, although there is some demand for the high-priced automobiles.

The Ford car and the Citroen which are both assembled in Italy are the only foreign cars which have secured any substantial share of the total sales.

It is expected, however, that competition will develop in the light car field between the Fiat, Citroen and American models. It can readily be seen that American cars can compete with those produced in Italy despite the high protective tariff and tax as shown below.

The present protective tariff is as follows:

Automobiles, complete or chassis, cars or trucks weighing in kilograms		Gold Lire per 100 Kilos	Additional Ad Valorem Duty
Up to 400 K.		120	35%
More than 400 and up to 900 K.		115	35%
" " 900 " " 1600 K.		65	35%
" " 1600 " " 2500 "		75	35%
" " 2500 " " 4000 "		95	none
" " 4000		60	"

country the yearly automobile shows present the latest thing in car style before the average American buyer. With the result that his last year's model is turned in for one of latest design.

The United States Automotive exports for 1932 to Italy were 2,568 units valued at \$2,601,000; for 1931 they were 2,410 units valued at \$2,167,735, which are substantial increases over those for 1931 when 22 units were exported from the United States and 1932 when 22 units were exported. During the years 1914 and 1915 there were 342 and 114 units respectively shipped to Italy from the United States.

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Automobiles, complete or chassis, cars or trucks weighing in kilograms		Gold rate per 100 kilos		Additional at values over	
				10%	
Up to 400 K.		120		35%	
More than 400 and up to 500 K.		115		35%	
" " " " 500 K. " " 1000 K.		90		35%	
" " " " 1000 " " 2000 "		75		35%	
" " " " 2000 " " 4000 "		75		35%	
" " " " 4000 "		60		35%	

Automobiles, complete or chassis, cars or trucks weighing in kilograms (Cont'd.)	Gold Lire per 100 Kilos	Additional Ad Valorem Duty
Frames for automobiles	70	30%
Gear Shifts	110	30%
3 complete rear axles	90	30%
Bodies:		
For passenger cars	60	35%
" trucks	45	none

Duties are paid in paper currency at a ratio between gold and paper fixed permanently by the Government at 3.67.

Basis of duty assessment:

Special duties are assessed on net weight. Ad Valorem duties are based on c.i.f. value as stated on the invoice.

All automobiles are subject to a sales tax of 1%. These duties apply to all countries.

The Italian circulation tax on motor vehicles is based on horsepower ratings exclusively according to formula, as follows:

<u>Horsepower</u>	<u>Lire</u>
1	88
2	96
3	107
4	121
5	138
6	157
7	179
8	204
9	232
10	261
11	295
12	330
13	367
14	410

On cars from 15 to 100 horsepower inclusive, the tax in lire equals 1.21 times the horsepower plus 173. On cars of more than 100 horsepower of more than 4 cylinders, 13,500 lire whether privately owned or on hire.

Automobiles, complete or chassis,
cars or trucks weighing in kilograms
(over 1000)

Automobiles	Gold Price	Automobiles
100	75	Trucks for automobiles
200	110	Gear Drive
300	90	3 complete rear axles
		Body:
100	80	For passenger cars
200	45	Trucks

Duties are paid in paper currency at a ratio between

gold and paper fixed permanently by the Government at 3.50.

Basis of duty assessment:

Special duties are assessed on net weight. No vehicle

duties are based on c.i.f. value as stated on the invoice.

All automobiles are subject to a sales tax of 15. These

duties apply to all countries.

The Cuban excise tax on motor vehicles is based

on horsepower ratings exclusively according to formula, as

follows:

Horsepower	Rate
1	80
2	85
3	107
4	121
5	135
6	157
7	179
8	204
9	232
10	261
11	293
12	330
13	367
14	410

On cars from 15 to 100 horsepower inclusive, the tax

is fixed at 1.51 times the horsepower plus 175. On cars

of more than 100 horsepower of more than 4 cylinders, 15,000

lira whether privately owned or on hire.

There is also a road improvement tax of 40% of the above taxes on horsepower (taxicabs exempted, also motor busses).

However, on new automobiles fresh from the factories, there is an exemption of both of the above taxes for the quarter when they are placed in circulation and also for the immediate succeeding quarter. However, on the third or last quarter they are liable to the fixed payment of 10 lire for the marking disc, which is placed on vehicles to show that the tax regulations for the current period have been complied with.

The very high cost of gasoline in Italy has also been an unfavorable factor in the further development of the sale of American automobiles in Italy.

The good roads of Italy no doubt have had much to do with the development of the automotive industry. The total road mileage is ¹113,581 of which 86,391 miles are improved. The famous "Autostrada", a boulevard 80 miles long, extending from Milan to the foot of Lake Maggiore, through the beautiful Italian scenery up to the Lake region has aided unquestionably in the development of the popularity of high-powered cars. On the "Autostrada" there are no side roads, nothing being allowed to impinge on the main thoroughfare, and the crossings are either over or under the road. There being no speed limit, it is obvious why the racing type of car has attained such perfection in Italy. There is a charge, however, on all foreign cars for the use of this road. It is only in the cities that one sees numerous cars of the small, low horsepower type, and these are often new by contrast with the older models of the high-priced cars. During 1929 it is expected

that an expenditure of ¹235,000 lire will be used for extensive road building which has been mapped out by the central Government. Undoubtedly this policy will help the automotive industry at home and abroad.

Of the Fiat cars, ²75 per cent are sold on the installment plan, and as this make is the one most popular in Italy, the same percentage probably applies to the total for all makes. The percentage covering trucks, busses and taxis is higher - 80-90%.

The sale of automobiles under the installment plan is governed by royal decree, which sets forth the rules and regulations to be observed. To safeguard the rights of the seller and insure his receiving full payment for the car, a sort of chattel mortgage or title must be included in the registration papers, and deposited, at the R.C.I.

Usually the down payment ranges from one-fourth to one-third of the purchase price. The rest is paid in 12 monthly installments, though by agreement the last installment often may be renewed.

The finance charge is in the form of interest, at the usual rate of 7 to 8% for the first three or four months; afterwards an arrangement is made for the remainder of the credit period.

Fire, theft and collision insurance is required, being paid for by the purchaser at the time of sale; papers are attached to the contract, which is registered at the A.C.I.

There is only one automobile finance company in Italy - the S. A. V. A., or Fiat's company - for handling installment sales on its cars. This company acts as broker in placing the insurance with the Assicurazione Generale di Venezia. The dealer sometimes so acts, but receives no commission. The S.A.V.A. Co. insures against risk of default or conversion.

Local banks do not readily discount installment paper and in no case that of a private individual; but where a firm buys a truck they will sometimes do so, charging 7 to 8%. If a dealer, other than Fiat, sells on the installment plan, he has to carry his own paper.

Where a dealer selling on installments is unable to finance purchases from the factory, the latter in some cases will accept, in part payment, paper indorsed by the dealer. Dealers do not always require the indorsement of a third person. In case others do sign the paper they are protected by the decree aforementioned.

The number of repossessions is reported as limited, though no estimate is available. The dealer makes repossession; S.A.V.A., really a Fiat dealer, repossesses the Fiats. The dealer sells the car and receives the proceeds from the sale to cover his debts. Excess is not returned to the purchaser nor is he required to make up any deficit.

If a second purchaser buys the car he is liable for the balance due to the dealer. The dealer prevails against a trustee in bankruptcy. Should the purchaser move to another part of the country his papers have to be transferred to the

office of the A.C.I. in his new locality. He cannot get out of Italy, for in that case the A.C.I. will not issue the necessary triptych. The sale is usually private. All papers affecting the sale of the vehicle have to be registered with the A.C.I., branch offices of which are established throughout the country.

The Fiat plan is available to Fiat dealers only. Dealers in American cars state it would be easy to sell on the installment plan, but they cannot afford to do so because they have to pay cash for their cars and their capital is limited. The suggestion was made by one dealer that the American manufacturer might arrange to discount the paper-indorsed, of course, by the dealer.

The Milan sample Fair held annually in April includes an automobile show to which the automotive industry of Italy appears to attach much importance. Many European and some American manufacturers are represented annually at this show. Large-scale advertising, however, as it is carried on this country is practically unknown; the volume of sales apparently does not warrant it.

In accordance with the theory of a highly centralized authority the Italian laws on the subject of the operation of motor vehicles are issued almost entirely by the National Government. Apparently an exception to this is the right-hand rule of the road for vehicles. In many of the large cities the traffic keeps to the left of the street because almost all of the unloading doors of the street cars are on the left side.

There is, however, a tendency to change to the right rule of the road even in large cities.

As stated before, Italy's exports form a most important part of the industry, the percentage in 1927 being about 65, when for the first time since the War they had decreased. During that year Great Britain was Italy's best customer as shown by the following table of exports for 1926 and 1927.

Ten Leading Export Markets for Automotive Products - Italy

	<u>1926</u> <u>No.</u>	<u>1927</u> <u>No.</u>
1 United Kingdom	3,845	5,312
France	2,270	2,908
Germany	2,939	2,889
Switzerland	2,626	2,305
British India	2,210	1,828
Spain	2,028	1,825
Belgium	793	1,256
Egypt	1,174	1,186
Argentina	832	890
Czechoslovakia	616	722
Other Countries	<u>14,849</u>	<u>12,191</u>
Total	<u>34,182</u>	<u>33,312</u>

There appears to be a distinct tendency toward future concentration on the markets of Germany, Poland, France, Belgium and the Austria-Hungary groups. It has been stated that 1929 may be looked upon as the crucial year in Italian automotive history, as led by the Fiat, the Italian automotive manufacturers will put forward strenuous efforts to meet American competition.

It is interesting to note Italy's exports of motor cars, especially since the importations are constantly increasing. The question is whether Italian made cars can continue to compete with those produced in America in neutral foreign markets.

Argentina, Brazil, Great Britain, Germany, Portugal and the Netherlands. The exports in 1912 included ¹1574 complete automobiles, 2,347 chassis, 2,677 motor cycles and automobile parts valued at \$401,311. In 1913, 1133 complete cars, 2,331 chassis and 2,923 motor cycles were exported; exports of automobile parts were valued at \$235,633. Only 24 automobiles in 1912 and 47 in 1913 were exported to the United States. During these two years the number of American cars imported into Belgium was 100 and 77 respectively; but most of these were re-exported.

²

The following shows that Belgium is gradually again developing her export trade, which is confined principally to nearby European countries.

Belgian Automotive Exports

	<u>1926</u>	<u>1927</u>
United Kingdom	397	706
Netherlands	1,408	597
Germany	119	255
Switzerland	80	137
France	105	90
Belgian Congo	165	86
United States	59	77
Argentina	10	2
Other Countries	2,224	925
Total	<u>4,567</u>	<u>2,875</u>

At the close of the War most of the factories of Belgium were either destroyed or stripped of machinery, and American firms were practically the only ones who were in a position to deliver. Prior to the War the American automobiles had a bad reputation in Belgium, the chief criticism being that the sheet metal parts, fenders, etc. were

continually loose, not being sufficiently pressed to withstand the constant pounding of the rough cobblestone roads. The matter of tools caused trouble and dissatisfaction. American shop equipments and the many labor-saving tools which meant a minute's job ordinarily were lacking and hours of work resulted. This together with the fact that it was almost impossible to get spare parts explains the reason for their bad reputation, which, however, has been adjusted. The Citroens which were sold during 1920 for \$1447 could not be compared in point of durability with American cars of similar build.

Estimates of the percentage of motor vehicles sold on the installment plan vary considerably. Dealers in medium-price cars state that less than ¹5% of their total business is done by this method. Dealers in popular price cars state that from 70 to ²80% of their sales are made on the installment plan, the percentage running particularly high on commercial vehicles. The best estimates of the ratio give passenger cars 30%, trucks 60% and busses and taxis 60%.

The conditional-sale contract is in common use; only one company uses the hire-purchase contract, and it will adopt the conditional contract within the near future. The usual down payment is ³25% on passenger cars and 33-1/3% on busses and taxis; the rates are increased to 33-1/3% and to 50%, respectively, on used cars. The installment period is usually 12 months in exceptional cases 18. Contracts are also made by the stronger finance companies for a down payment of one-third with the order, one-third at time of delivery and one-third

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the stronger finance companies for a down payment of one-third
with the order, one-third at time of delivery and one-third

three months after delivery. The only exception where more than 12 months is allowed, is in the case of passenger cars.

The finance charge usually takes the form of a flat rate of 7 to 9% of the total installments. For example, a car selling for 50,000 francs will be paid for at the rate of 12,500 francs down, plus 12 monthly installments of 3,125 francs each, or a total of 37,500 francs. The finance charge is 8% of 37,500 francs or 3,000 francs.

Fire, theft, collision and liability insurance must be paid in advance by the purchaser, separately from the finance charge. The finance company (with the exception of two American companies) acts as agent for placing the insurance, receiving a 20% commission and sharing 10% of this with the dealer.

Banks do not favor automobile paper; but when such discounts are arranged, the usual rate is 7%. Only two dealers carry their own paper to any appreciable extent.

Belgian credit companies do not require dealers' indorsements on installment paper though this is done by two American companies operating in Belgium. Indorsers are usually not required by dealers.

One of the leading credit firms states that its defaults amounted to two-tenths of 1% in 1926. 1% is considered a very high figure. The finance company repossesses; it may sell the car or have the dealer sell it in his own behalf.

All credit facilities available in Belgium to European manufacturers are likewise available to American manufacturers, and these facilities now appear adequate.

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then 12 months is allowed, in the case of passenger cars.
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car selling for 50,000 francs will be paid for at the rate of
12,500 francs down, plus 12 monthly installments of 3,125
francs each, or a total of 37,500 francs. The finance charge
is 6% of 37,500 francs or 2,250 francs.
Fire, theft, collision and liability insurance must be
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companies) acts as agent for placing the insurance, receiving a
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manufacturers are likewise available to American manufacturers,
and these facilities are now being expanded.

Where the purchaser sells the car before completion of payments the owner does not prevail against an innocent second purchaser. It is fundamental principle of Belgian law that possession of movable goods indicates title. Moreover if the buyer should become bankrupt it is doubtful whether the owner would prevail against the trustee. This point is now under discussion and a court decision favorable to the finance companies is hoped for within the near future.

The buyer is not criminally liable if he moves to another country or state without the consent of the owner; even though some companies put a clause in their contract covering this point, it is doubtful whether the clause will hold. It is settled, however, that the purchaser in any case is not liable if he is not in default. When the car is repossessed and sold any excess must be returned to the purchaser; but the original purchaser is required to make up any deficit, and recourse against him may be had over a period of 30 years. Sales usually are public, but may be private. Registration of the contract would have the effect only of fixing the date of sale, a formality rarely observed.

Advertising methods have not been so fully developed as in our own country; newspaper and billboard advertising are the principal forms used.

As a market for American passenger cars Belgium has shown the greatest growth in recent years, the exports of passenger cars in 1927 reaching a value of more than seven times as large as in 1924.

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passenger cars in 1937 reaching a value of more than seven
times as large as in 1934.

The following table shows the actual number of automotive units exported.

United States Automotive Exports

	<u>Number</u>
1 1919	1628
1924	1813
2 1925	1348
1926	17153
3 1927	21132
1928	19521

While the principal demand is for American cars of low and medium price, the more expensive American makes are also well known. Needless to say, the American automotive imports far outnumber the French and Italian, which offer the greatest competition.

4	Francs per
<u>Import Duty:</u>	<u>100 Kilos</u>

Motor Cars		
With or without motor		
" " " body work		
Weighing each		
4000 Kilos and more		480.00
From 2000 " to 4000 Kilos		
Passenger		960.00
Other		480.00
Less than 2000 Kilos		
Chassis complete without body weighing 1300		
Kilos or less		800.00
Chassis complete with body " 1800		
Kilos or less		800.00
Other		960.00
Bodywork for trucks		240.00
" " passenger cars		960.00
Bearer frames of stamped sheet steel		300.00
Rims of iron or steel		
In Straight Bars		48.00
Frames for solid tires of Motor Lorries		80.00
Other		80.00
Detached parts and pieces not specially mentioned		
Unworked		12% Ad Valorem
Worked		" "
Radiators weighing 50 Kilos or more & wheels		
weighing 25 Kilos or more		560.00
Other:		
Of sheet iron or steel		320.00
Other		800.00

The following table shows the actual number of automobiles

units exported.

United States Automobile Exports

Year	Number
1912	1
1913	1
1914	1
1915	1
1916	1
1917	1
1918	1
1919	1
1920	1
1921	1

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competition.

Import Duty:

French car
100 Kilos

Motor Cars	
With or without motor	
" " " body work	
Weighting each	
4000 Kilos and more	
From 2000 " to 4000 Kilos	
Passenger	
Other	
Less than 2000 Kilos	
Chassis complete without body weighing 1500	
Kilos or less	
Chassis complete with body	
Kilos or less	
Other	
Bodywork for trucks	
" " passenger cars	
Best of French or changed sheet steel	
Sheet of iron or steel	
In straight bars	
Frames for solid tires of motor lorries	
Other	
Detached parts and pieces not specially mentioned	
Unworked	
Worked	
Radiators weighing 50 Kilos or more & wheels	
weighing 25 Kilos or more	
Other:	
Of sheet iron or steel	
Other	

Basis of duty assessment: Specific duties on automobiles, trucks and parts are levied on the net weight. Ad valorem duties are levied on the c.i.f. value at the port of entry.

1

The motor-vehicles taxes in Belgium are as follows.

Passenger cars are assessed as follows: Up to 24 horsepower, per horsepower, 50 Belgian francs; over 24 horsepower, each additional horsepower, 75 francs.

There is also a luxury sales tax on each sale of an automotive vehicle diminished by 10% for each year of age on the following scale:

2

Vehicles sold for from	40,000 to	Frs. 60,000	Frs. 312.50
" " " "	60,000 " "	80,000	" 500.
" " " "	80,000 " "	100,000	" 750.
" " " "	100,000 " "	125,000	" 1000.
" " " "	125,000 Frs. and over		" 1250.

For the most part the Belgian roads are in a very poor state. Part of this may be due to the demolition of the War, but it is also due to the faulty construction and difficult subsoil, necessitating the use of cobblestone pavement. It is interesting to note that it was found impossible during the War to dig trenches in Flanders and keep them dry; as a result that portion of the "Hindenburg" line was above the ground and consisted of countless massive concrete blockhouses. This is mentioned only to illustrate the nature of the "bottom" which naturally makes the upkeep of roads difficult.

Considerable money has been spent in improving the roads in Belgium, which was very necessary after the War. At the present time the roads in some places are good. There is a particularly good boulevard from Brussels to Antwerp with

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 power, per horsepower, 60 Belgian francs; over 24 horsepower,
 each additional horsepower, 75 francs.

There is also a luxury sales tax on each sale of an
 automotive vehicle diminished by 10% for each year of age on

the following scales:

Year	Value	Rate	Amount
1920	100,000	1%	1,000
1921	100,000	1%	1,000
1922	100,000	1%	1,000
1923	100,000	1%	1,000
1924	100,000	1%	1,000
1925	100,000	1%	1,000
1926	100,000	1%	1,000
1927	100,000	1%	1,000
1928	100,000	1%	1,000
1929	100,000	1%	1,000
1930	100,000	1%	1,000

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 At the present time the roads in some places are good. There
 is a particularly good highway from Brussels to Antwerp with

a tramway track in the middle and fine surfaced tracks on either side for motor traffic. There is also a good road leading through Bruges, Ypres and Antwerp. The Ardennes south of the Meuse are very pretty and interesting; here one finds Spa the foremost and oldest thermal resort in Europe, where the Kaiser spent most of his time during the war.

As the figures show, American automobiles have made serious inroads on the Belgian industry, having demonstrated that they can stand up to the wear and tear of Belgian cobblestones.

50.

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SPAIN

Lack of space precludes the detailed mention of the northern European nations, many of which are very good markets for American cars, notably Russia, Norway, Denmark and Sweden where many makes of American cars are sold and assembled. Our sales policies in these countries have of necessity taken into account the racial preferences, and as much as possible native labor is used in American assembly plants.

There are a few countries manufacturing automobiles which will require brief mention. Spain for example is one of the few nations not affected from the World War point of view, as Spain managed to keep withdrawn from any part of it. For this reason we had no years of reconstruction and large indebtedness to combat in the introduction of our American cars. The other European countries are now after ten years getting back to normal consumption of our automobiles, and we expect that the next few years will see an extraordinary export trade developed.

1

The production of Spain is as follows:

	<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>
Number	473	1050	585	675 (estimated)

During 1927 the local consumption of automobiles in Spain was 21,556.²

During the same year the "Hispano-Suiza"³ factory's output of passenger cars was nearly 71% of the total Spanish production of that type. This firm specialized in six-cylinder passenger cars which are becoming the most popular type, and trucks of two and four-ton capacity.

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The production of Spain is as follows:

1933	1937	1938	1939
Number	473	1030	1030
1938	675 (estimated)		

During 1937 the local consumption of automobiles in

Spain was 21,386.

During the same year the "Hispano-Suiza" factory's out-

put of passenger cars was nearly 75% of the total Spanish production of that type. This firm specialized in six-cylinder passenger cars which are becoming the most popular type, and trucks of two and four-ton capacity.

There has been no foreign assembly of Spanish units, and it is not anticipated there will be any, local production itself being on none too sound a basis.

The government of Spain in its program for strengthening the economic position of the country has given repeated indications of its intention to encourage by every possible means the development of manufacturing industries. One industry which the Government would particularly like to see flourish is the manufacture of automobiles.

With this idea in view an Automotive Congress was appointed and convened May 12, 1926, by order of the Government for the purpose of determining how many motor vehicles would be purchased by the Government for its various departments so that orders might be distributed for sustaining the existing factories and increasing the establishment of others.

As a result of the studies made in connection with the Congress the Government convinced itself of the capacity of Spain to produce motors for automobiles at least in quantities sufficient to meet the official requirements, and it was definitely decided to "nationalize" the industry. Nationalization in this sense means to admit it to the group of industries enjoying special privileges for production from the State. In a royal decree of June 9, 1927, it was provided that to be considered "national" manufacturers of automobiles the following requirements must be met.

(1) Private, industrial manufacturers directors and administrators must be Spaniards whatever the juridical form of the enterprise. In case of stock companies' 1/3 of the board of directors may be foreigners, but in no case may the president of the board nor the management₂ be foreign.

(2) Of the capital 75% must be owned by Spaniards.

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With this idea in view an Executive Decree was approved and numbered May 18, 1937, by order of the Government for the purpose of determining how many motor vehicles would be purchased by the Government for its various departments so that there might be distributed for maintaining the existing factories and increasing the establishment of others.

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- (1) Private, industrial manufacturing interests and shareholders must be Spanish whatever the juridical form of the enterprise. In case of mixed companies, 1/3 of the board of directors may be foreigners, but in no case may the President of the board not be a national of Spain.
- (2) Of the capital 75% must be owned by Spaniards.

(3) At least 80% of the personnel employed in the offices, factories, shop, etc. must be Spaniards. However, during the first year 75% may be foreign, this to be decreased to 50% the second year and to 30% the third year.

(4) Combustibles, materials of installation and articles employed in the industry must be of national production, except when these cannot be obtained in Spain within a reasonable time or when their cost is more than 15% above that of foreign materials or when for technical reasons they must be procured abroad.

Manufacturers complying with the foregoing provisions are divided into two classes -

(1) Those who "produce the totality of elements of chassis and bodies of automobiles or who employ at least 75% of said elements of Spanish manufacture" belong to the first class.

(2) Those who "produce at least 50% of these elements are placed in the second class."

To calculate the percentage of elements of Spanish manufacture in a car regulations provide a scoring table giving weighted percentages to the various items making up an automobile.

Evidently the government considered the advisability of a subsidy on nationally manufactured cars exported to foreign countries for in the decree of April 9, 1927 the statement was made that in spite of the Government's desire it found such a method not feasible for the moment, as the amount that could be used would be only 1% of the value of the merchandise and would be ineffectual in meeting competition in foreign markets.

In the same decree however an important aid was provided through the requirement that automobiles purchased for the State Provinces, municipalities and for enterprize engaged in public transportation of persons or merchandise must be of "national" manufacture but subject to the following conditions.

(1) that such nationally manufactured automobiles can be furnished of adequate quantity and within a reasonable time.

(2) that the price of cars made by national manufacturers of the "first class" do not exceed the price of similar cars of foreign manufacture by more than 10%; that the price of cars made by national manufacturers of the "second" class do not exceed that of similar cars of foreign manufacture by more than 5%.

This requirement clearly gives Spanish manufacturers a partial monopoly in supplying the Government in this class of business, foreign companies having no opportunity of being considered so long as there is a Spanish Company which can supply the demands at prices not more than the specified 10 and 5% respectively above those of foreigners.

An additional privilege of importance is granted to nationally manufactured cars. In the case of production of national manufacturers of the first class automobiles not exceeding 12,500 pesetas in price and trucks not exceeding 25,000 pesetas are exempted for three years from a payment of all classes of imposts, national, provincial and local; if the prices mentioned are exceeded, the tax exemption is reduced to 50%. In the case of production of manufacturers of the second tax exemption is 50% in case the price of automobiles and trucks does not exceed 12,500 and 25,000 pesetas, respectively and 25% in case these prices are exceeded.

By the same decree of April 9, 1927, which outlined the foregoing requirements and benefits pertaining to national manufacturers of automobiles and Official body was created for the

purpose of drawing up regulations and carrying out these provisions. This body is known as the "Official Commission" of Motors and Automobiles.

With this commission lies the further development of plant for enlarging the automobile industry the preparation of bids for government purchases of motor vehicles the classification of their national manufacturers, etc.

The incentives offered to national manufacturers of automotive vehicles have to date not resulted in enabling the Spanish automobile industry to make any observable headway in overcoming competition of foreign automobiles. It is stated that various foreign manufacturers have been approached to establish themselves in Spain but so far without concrete results. Spanish companies already established are of course benefited by the exemption from taxes on their products and by the preference given them in Government orders. However, it is hard to see how Government orders alone can maintain the existence of such mushroom companies; and the measures thus far taken, while they present obstacles to foreign companies in dealing in Spain seem to give little promise of producing a strong national automotive industry.

Approximately ¹15% of new and less than 5% of second-hand vehicles are sold on the installment plan. The percentage for taxis, busses and trucks is greater than that for passenger cars. The hire-purchase contract is used; the down payment is generally ²25% and the installment period is 6, 9 or 12 months.

The finance charge consists of interest plus a flat rate. Because of the tax imposed on interest ³(5.5 per cent of the interest collected up to 6% and 5.7 on what is collected

purpose of drawing up regulations and carrying out these provisions. This body is known as the "Technical Commission" of Motors and Automobiles.

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Approximately 15% of new and less than 5% of second-hand vehicles are sold on the installment plan. The percentages for taxis, buses and trucks is greater than that for passenger cars. The hire-purchase contract is used; the first payment is generally 25% and the installment period is 2, 3 or 12 months. The finance charge consists of interest plus a flat rate. Because of the low interest on interest (0.5 per cent) the interest collected up to 25 and 0.7 on what is collected

above 6%), it is necessary to place the rate as low as possible and include the remainder in the flat charge. None of the companies are willing to disclose their formulas but all agree that the schedule includes both interest (supposedly not over 5%) and a flat rate. Citroen charges interest at 5% for 12 months 4% for nine months and 3% for six months. The flat charge is usually included in the down payment.

Fire, theft, liability and frequently collision insurance is required. The purchaser pays the full insurance premium at the time of contract. Only occasionally is there any direct connection between the finance company and the insurance broker. Unless special arrangements are made, the Citroen plan requires that the policy be placed with "La Preservatrice" (Alcala 16, Madrid). A commission is sometimes allowed the finance company, but in most cases that company merely recommends insurance companies. Occasionally dealers make arrangement whereby they place the insurance and doubtless receive a small commission. At least two insurance companies insure against fire, theft, default, etc. and actually enter into the financing scheme. It is claimed that these insurance finance companies obtain not only their due premiums and interest, but also a part of the profits of the vehicle. It is understood to be legal for automobile insurance companies to enter this field.

It is not customary for finance companies to insure against risk of default or conversion; occasionally, however, they do so.

Local banks do not discriminate in any way against automobile paper; but as a matter of practice most companies fur-

nish their own capital. Bank rediscount rates on all kinds of installment paper are relatively high, and operation through them directly restricts profits. Many dealers therefore carry their own paper. One informant estimates that 10% of the dealers hold paper, and that one-fourth of all installment purchases are on dealer paper.

The dealer indorses the paper and guarantees to repurchase it in case of repossession. In fact, the dealer usually prefers to repurchase even if such stipulation had not been made in the contract. Additional indorsements are required when the purchaser is unknown, depending entirely on the particular purchaser and his rating.

The percentage of repossession is not known, but there are so few that the situation is considered highly satisfactory. The dealer repossesses if he has indorsed the paper; if not repossession would depend upon agreement between the finance company and the dealer. If the company repossesses, it may turn the vehicle over to the dealer and pay the deficit at resale, but this amount cannot be collected from the purchaser.

It is considered extremely difficult to repossess a vehicle in the hands of an innocent third party, though the legal point involved has not yet been determined. The matriculations documents given to the third party constitute title for all practical purposes. Under the hire-purchase plan it is not feasible for the finance company to retain the matriculation documents. In case of bankruptcy of the purchaser, it would seem that the owner may repossess the vehicle against the trustee. If the

purchaser sells the vehicle without permission of the owner, he has, under the usual form of contract committed fraud, and is criminally liable whether or not he moves to another country.

In case of repossession the installments already paid are considered as hire, and the purchaser has no further equity. The vehicle may be privately sold. In theory practically every contract must be registered before a notary; certain forms, however, need not be registered. Owing to heavy taxes most installment contracts are not registered.

At present there are no finance facilities not open on equal terms to both American and European manufacturers. In fact American finance companies are better equipped through their own capital than European manufacturers. Additional facilities, however, would prove favorable to both American and foreign vehicles.

1

Until 1914 there was only one make of American Automobile in operation in Spain. During the war, however, Spain turned to the United States for her requirements, and since then our automotive exports to this country have increased steadily as shown by the tabulation of our European exports. It will be noted that this expansion has not been hindered by the tariff and tax quoted below, as well as the high cost of gasoline.

2

Import duty based on net weight, on passenger automobiles from the United States, Canada, United Kingdom, France, Italy, Belgium, Austria, Germany and other countries on the most favored nation basis.

<u>Weight</u>	<u>Gold Pesetas per Net Kilos</u>
Up to 800 Kilos	0.75
More than 800 and up to 1200	.90
" " 1200 " " 1600	1.05
" " 1600 " " 2000	1.20
" " 2000 " " 2400	1.75
" " 2400 " " "	2.00
Motor Vehicles and Trucks, including chassis	.75
Frame work without engine	.75
Vehicle bodies of all kinds	7.20

One-half this duty is payable in gold or drafts on gold standard countries, and the remainder in the currency of the countries with the addition of a gold surtax (fixed every 10 days) to approximate the par value of the peseta.

The tax on passenger cars is based on horsepower as follows:

	<u>Pesetas Annual per Horsepower</u>
First 5 horsepower	¹ Minimum of 100
For each horsepower greater than 5	
up to 10	20
" " " greater than 10	
up to 16	25
" " " greater than 16	
up to 22	33
" " " in excess of 22	40

In addition there is a surcharge of 5% on the above rates to cover expenses of the administration of the law.

France held a dominant position in Spain prior to the War, probably due to the fact that it had been the pioneer in the industry in Europe, and as Spain's nearest industrial neighbor, deliveries could be made very quickly. At the present time France appears to be our largest competitor in Spain, having exported to this country during 1927, 7,957², and 4,881³ during 1928 (10 months).

Gold Imports per Net Kilos

Weight

0.75	Up to 800 Kilos
.75	More than 800 and up to 1200
1.00	" " " 1200 " " 1800
1.50	" " " 1800 " " 2000
1.75	" " " 2000 " " 2400
2.00	" " " 2400 " " "
.75	Motor Vehicles and Tractors, including spares
.75	Trains with engine
2.50	Vehicle bodies of all kinds

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Passenger Annual per Horsepower

1	2
Kilowatts of 100	First 5 horsepower
20	For each horsepower greater than 5
30	Up to 10
40	Greater than 10
50	Up to 15
60	Greater than 15
70	Up to 20
80	In excess of 20

In addition there is a surcharge of 5% on the above rates to cover expenses of the administration of the law. France held a dominant position in Spain prior to the war, probably due to the fact that it had been the pioneer in the industry in Europe, and as Spain's nearest industrial neighbor, deliveries could be made very quickly. At the present time France appears to be the largest competitor in Spain. The exports to this country during 1927, 1928, and 1929 were 10,000 (10 months).

These figures, however, show a decrease from the total exported during 1926 which was 8,379.

There is an excellent system of boulevards and roads in about Madrid, and altogether the roads in Spain are much better than they were, but could not be considered good.

The total area is 190,050 square miles, while the road mileage is but 50,000. There are, however, several places of interest for tourists in this country.

Considering the fact that the ratio of motor vehicles to population in this country is but 138, (1928 registration 129,920 passenger cars and 26,581 trucks) it would seem that there is plenty of opportunity for the further development of this market for American automobiles.

These figures, however, show a decrease from the total ex-

ported during 1933 which was 2,370.

There is an excellent system of highways and roads

in about Madrid, and throughout the roads in Spain are much

better than they were, but could not be considered good.

The total area is 100,000 square miles, while the road mileage
is but 50,000. There are, however, several places of interest

for tourists in this country.

Considering the fact that the ratio of motor vehicles

to population in this country is but 134 (1933) registration

100,000 passenger cars and 20,000 trucks it would seem that

there is plenty of opportunity for the further development of

this market for American automobiles.

CZECHOSLOVAKIA

Czechoslovakia formerly a part of the pre-war Austro¹ Hungarian empire comprising an area of 54,877 square miles is one of the richest of the European countries in natural resources, and is in the enviable position of being self-supporting as far as food is concerned. Within the present borders of Czechoslovakia are to be found practically all of the former Austro-Hungarian sugar production areas,² 60% of the breweries, 50% of the alcoholic distilleries, nearly two-thirds of the iron production and four-fifths of the textile industry. Other industries were included in like proportion in the new country, even to the extent of one hundred per cent, such as the famous Bohemian glass industry and the china industry.

The automobile industry of this country appears to be a growing one with good prospects for the future especially since the improvements in roads have been made. Exact production figures are not available, but from reliable sources it is estimated that whereas 500 cars were made in Czechoslovakia³ in 1920, a total of 4500 was turned out in 1926. During 1927⁴ there were produced a total of 10,200 cars; the local consumption for the same year being 10,156 and the total imports, 4,616. During 1928 it is estimated that 11,900 passenger cars and 3,460 trucks and busses were produced.⁵ No cars of local design are assembled in other countries.

The registration on January 1, 1928 was 28,370 passenger cars, 10,560 trucks and 1020 busses.⁶ The ratio of motor vehicles to population is 226.1.⁷

1	2&3	4&5	6	7
Ref. 6, P. 601	Ref. 54	Ref. 27, P. 217	Ref. 25	Ref. 28, P. 273

CHINA

China is formerly a part of the great Asian continent comprising an area of 9,600,000 square miles, one of the richest of the European countries in natural resources, and in the enviable position of being self-sufficient in food in connection. Within the present borders of China are to be found practically all of the former Asiatic-European sugar production areas. 80% of the production of the alcohol distillates, nearly two-thirds of the iron production and four-fifths of the textile industry. Other industries were included in the proportion in the new country, even to the extent of one hundred per cent, such as the famous Bohemian glass industry and the china industry.

The automobile industry of this country appears to be growing one with good prospects for the future especially since the improvements in roads have been made. Exact production figures are not available, but from reliable sources it is estimated that where 500 cars were made in China in 1929, a total of 4,000 was turned out in 1930. During 1931 there were produced a total of 10,000 cars; the local consumption for the same year being 10,150 and the total imports, 4,000. During 1932 it is estimated that 11,500 passenger cars and 2,400 trucks and buses were produced. No cars of local design are assembled in other countries.

The registration on January 1, 1933 was 18,770 passenger cars, 10,360 trucks and 10,360 buses. The ratio of motor vehicles to population is 1:230,000.

Notwithstanding the excessive import duty as well as the surtax and sales taxes quoted below, our automotive exports to this country have continued to expand, as follows:

	<u>1923</u>	<u>1924</u>	<u>1925</u>	<u>1926</u>	<u>1927</u>	<u>1928</u>
¹ Value \$	124,000	241,000	591,000	1,542,000		

The import duty on passenger automobiles is high, being ²45% on cars regardless of weight. An additional duty of 25% is imposed on chassis the value of which exceeds 80,000 Czech crowns and on automobiles whose chassis have a value of over 800,000 Czech crowns. These duties are based on the retail value of the car in the country of origin plus all transport costs from the exporting country to the Czech border.

Customs Surtax. An import license fee amounting to 1/2 of 1% of the invoice value is charged in automobiles and trucks except automobile motors and automobile bodies imported separately.

Sales Tax. A turnover tax of 2% based on the invoice price plus duty and transportation expenses to the frontier is levied at the time of importation on passenger cars and chassis with motors for passenger cars; bodies for such automobiles; busses and trucks and on motor cycles and side cars as well as chassis without motors.

A domestic sales tax of 2% based on the retail price is levied at the time of the first sale and each succeeding sale. There is also a graduated road tax based on cylinder content according to formula.

The United States and France are the most important exporters to this Country, with Italy, Germany and Austria

following in the order named. Imports would no doubt be more than they are were it not for the fact that a maximum is set on the number of cars which may be imported from each country with which Czechoslovakia has a commercial treaty. There seems to be little probability that this restriction will be removed.

The quota for the United States for the year 1928 was ¹800 pleasure cars and trucks. Our exports of passenger cars for ²1927 totaled 501 valued at 430,013; in 1928, the total was ³515 valued at \$461,803, consisting of 307 valued at \$1000 each or less, 172 from \$1000 to \$2000 and 36 over \$2000.

Installment selling in Czechoslovakia has only developed during the past two years, and although the method has spread rapidly, it has not yet become standardized.

Passenger cars are still considered luxuries, and purchasers, therefore, usually are in a position to make substantial down payments, but such cases are usually considered individually, and the terms arranged accordingly. Installment sales of trucks approach more closely a standardization.

⁴It is estimated that 60% of passenger cars, 80% of trucks and 90% of taxis are sold on installments. The conditional sale contract is used. The down payment for all types ranges from 25% to 30%. The installment period is usually 12 months, but in exceptional cases it is extended to 18 or 24 months. A larger down payment is required when the installment period exceeds 12 months.

The finance charge is usually a flat rate of $7\frac{1}{2}$ to 11%, the lower figures applying to sales of American cars where

special banking arrangements have been made, the higher to domestic cars. Actually the rates amount to monthly interest of 15 to 22%.

Fire, theft and collision insurance is required, the premiums usually being paid by the purchaser at the time of sale, but in some cases they are spread over the term of installments. The finance company usually acts as broker, but does not always insist on this privilege; the dealer generally has nothing to do with the insurance. The finance company does not insure against default or conversion.

Banks practically never discount automobile paper unless special arrangements have been made; some of the larger dealers carry their own paper, but where the dealer is financed he is generally required to endorse the paper. For certain domestic vehicles the manufacturers are said to assume the dealer's liability. The dealer usually requires no indorsement to be obtained by the purchaser.

Less than ¹2% of sales result in defaults. The dealer makes repossession and sells and is liable to the finance company for any deficit.

The owner does not prevail against an innocent third party, though the car may be repossessed from the trustee in bankruptcy. The buyer is not criminally liable if he sells the car or if he moves to another country or state without the consent of the owner.

Where the car is repossessed and sold, any excess must be returned to the purchaser and previous notice of the sale

must be given to him. The sale is usually public but may be private. The purchaser can be required to make up any deficit resulting from such a sale. The recording of conditional-sale contracts is not necessary; they are not binding on third parties.

European manufacturers apparently have no finance facilities that are not available to American companies; in fact, the latter have the better arrangements. Undoubtedly more adequate finance facilities will increase sales somewhat in the future, but not to any great extent at present.

The adjacent countries of Austria, Poland, Hungary and Germany are naturally the most important export markets of this country by reason of their proximity, as shown by the following:

	<u>1926</u>	<u>1927</u>
	No.	No.
1		
Austria	260	433
Poland	58	318
Hungary	13	44
Yugoslavia	11	42
Germany	84	32
Soviet Russia	3	7
Other Countries	<u>31</u>	<u>56</u>
Total	460	932

The United States has enjoyed a greater percentage of increase in automotive vehicles to this country than any of its competitors, and the outlook for the future is promising.

AUSTRIA

The Austrian automobile industry dates back thirty years when the first automobiles were produced in factories still in business at the present time. The most important manufacturer, however, is Steyr, whose principal plant is located at Steyr, Upper Austria. Like other European competitors, this manufacturer has also adopted the American system of factory organization. He controls all materials going into the cars, and has been able to reduce manufacturing costs and accordingly sales prices. He also has standardized on qualities designed to produce a first-class vehicle.

¹ In 1927 the production of the Steyr works was estimated at 5000 passenger cars and 1200 trucks, and in 1928 the estimated production was 6500 passenger cars and 2500 trucks.

In 1927 approximately 55% of the Steyr product was shipped abroad, largely to Germany and the nearby Succession States, where the Company maintains a well-organized system of sales agencies. In the domestic market its sales are affected principally through its own local salesrooms, with independent local agents in a few places. During 1927 some of the other factories produced the following estimated amounts of passenger cars "Austro-Daimler" 800; "Graef and Stift" 150; "Austro-Fiat" 100.

³

The total production for 1928 is estimated at 11,500 compared with 8,700 for 1927. Nearly all cars produced in Austria are of the 6-cylinder type, and none of local design are assembled in outside countries.

¹
Ref. 40, P. 92

^{2&3}
Ref. 27

1

The registration on January 1, 1928 was 14,450 passenger cars, 9,600 trucks and 750 busses. The ratio of motor vehicles to population is 126.4.

2

According to trade estimates in Austria, 70 per cent of passenger cars, 90% of taxis and probably 80% of trucks and busses are sold on the installment plan. In practically all cases the conditional-sale contract is used, though one Austrian institution uses the hire-purchase plan. A down payment of 25 to 33½% of the list price is required for all types of vehicles. The hire-purchase contract when used usually requires payment in advance of 3 out of 24 monthly installments. The installment period commonly runs 12 months, 18 in exceptional cases.

The finance charge is interest plus certain specified minor charges for handling the account. The rate of interest and amount of additional charges vary considerably; jointly they amount to 12 to 24% of the price of the vehicle. In some cases an additional 1½ to 2% of the total credit sum is charged as a premium for credit risks and has to be paid in advance. Interest, as well as additional charges, is levied on the amount still due, computed monthly.

Fire, theft, collision and liability insurance is compulsory with most finance institutions. In most cases at least 50% of the premium must be paid in advance; in only exceptional cases are the premiums spread over the term of the paper and included in the finance charge. Most companies require the insurance to be taken out with an affiliated company, the finance institution collecting a commission. In some cases

a part of the operating capital of the finance institution is said to have been supplied by the insurance company. The finance company does not insure against risk of default or conversion; however, a small portion of the sum charged under the heading "rate of interest" is used to build up an internal reserve fund to cover this risk, in rare cases an extra premium of $1\frac{1}{2}$ to 2% being charged for this purpose.

The dealer does not indorse or guarantee the paper to the finance company or give agreement to repurchase the car if repossessed. Indorsers are not usually required.

Repossessions amount to less than 2% of total installment sales in the case of passenger cars and about 1% in the cases of trucks, busses and taxis.

American cars are at a disadvantage as compared with those manufactured by the Steyr Works A.G. The latter is¹ selling cars on the basis of a cash payment of 25% and 12 to 18 months installments; the rate of interest is not known, but is probably 5% of the sales price (on the basis of 12 months) a figure considerably lower than the local finance facilities available to Austrian representatives of American cars.

In view of existing import restrictions it is not believed that better facilities would appreciably increase motor vehicles sales at the present time. Should these restrictions be either abolished or abandoned, however, the volume of American sales would doubtless increase considerably; in this case easier terms would help the dealers to take advantage of sales opportunities to the fullest extent.

Banks do not discount automobile installment paper; this business is too irregular for Austrian banks and is therefore handled only by firms specializing therein. Dealers do not carry their own paper. An indorsement is requested only in case the information obtained as to the prospective purchaser is not entirely satisfactory, but not of a character which would induce the finance company to turn down the proposal.

In case of default the finance company makes the repossession, which in theory can take place on the non-payment of two (in actual practice however, three, or four) consecutive installments. The finance company may sell either at public auction or privately. Repossession may not be made from an innocent third party purchaser; the owner, however, prevails against the trustee in bankruptcy. If the purchaser sells the car or leaves the country without the consent of the owner before the completion of payments he is criminally liable. Where the car is repossessed and sold, the excess, if any, must be returned to the purchaser, but the purchaser is still liable for any deficit. He has to sign a draft for each monthly installment and his general assets (present or future) secure payment of these drafts. The question so far as Austria is concerned is purely theoretical, for cars are usually repossessed and sold only in case the purchaser does not have any other assets. Sales contracts do not have to be recorded nor would record give constructive notice to a bona fide second purchaser.

Austria has unusually good roads, the total road mileage being 21,191, of which 20,566 are improved.

The duty on automotive exports from the United States also from Canada, Belgium, Czechoslovakia and France is quoted below.

1		
Frames (Chassis) for passenger cars and trucks weighing:	Gold Crowns Per	
	<u>100 Kilos</u>	
2200 Kilos or more	250	
Below 2200 Kilos	350	
Passenger cars with bodies weighing:		
1200 Kilos or more	350 *	
800 to 1200 Kilos	350 *	
	Plus	700 for each
Below 800 Kilos	350	
	"	400 for each

*Surcharge where stated is levied for each piece and is added to the duty according to the weight plus 20% ad valorem.

This duty is comparatively high compared with the preferential duty allowed to the United Kingdom, Germany, Italy and other countries having the most favored nation status with Austria.

Motor vehicles are taxed by the various Provinces according to horsepower rating. The rate in Vienna where more than half of the motor cars in Austria are registered is as follows:

Vienna	Annual Tax on Passenger Cars	
	Sch. 100 (14.30) per horsepower up to 6 horsepower	
	"	150 (21.40) on each additional horsepower.

During 1927 there were 96 passenger cars exported from the United States valued at \$133,727 and during 1928 there

¹ Ref. 28

² Ref. 25

³ Ref. 28

were 146 exported valued at \$133,729, 86 of which were valued at "up to \$1000", 51 from \$1000 to \$2000 and 9 valued at over \$2000.

Although American cars have a high reputation their sale is limited by the restriction on importation. The quota for American passenger cars and trucks for the year 1928 was ¹300. Austria is a market for the more expensive as well as the more moderately priced automobiles, because Vienna is the distributive center of luxury merchandise in that part of Europe. The French and Italian makes offer strong competition, but American cars are gaining in popularity every day.

HUNGARY

Hungary is another country producing automobiles, but on a very small scale as shown by the following tabulation of production:

¹	1924 - 200	passenger cars (estimated)						
²	1925 - 318	"	"	80	trucks and busses			
	1926 - 180	"	"	208	"	"		
	1927 - 167	"	"	115	"	"		
	1928 - 400	"	"	460	"	"		

In the passenger car field the "Magobile" six-cylinder (Magosix) and the "Mavag" and "Raba" autobuses have been prominent.

³

The local consumption for 1927 was 1,704 cars and trucks.

⁴

During this year our exports totaled 324 passenger cars valued at \$313,791 which were more than doubled during 1928, the total being 714 passenger cars valued at \$585,621, consisting principally of cheap and medium priced cars. American automobiles, the greater part of which are shipped from the nearest assembly plants, are very popular in this country. The Fiat, also the German and Austrian cars appear to have a satisfactory demand.

⁵

The registration on January 1, 1928 was 9,259 passenger cars, 3372 trucks and 370 busses.

The automobile industry in Hungary is engaged principally in the assembling of cars, although there are a few firms manufacturing light cars. Due to this fact the import duty on light cars is higher, and a special duty on bodies has been imposed as will be noted by the rates quoted below.

1

The following is the import duty based on weight which is the preferential rate to the United States, United Kingdom, Germany, France and Austria:

	<u>Gold Crowns per 100 Kilos</u>
Automobile chassis and their frames with or without engines	
For passenger cars weighing each	
3000 Kilos or more	60.00
2000 " - 3000	70.00
1400 " - 2000	75.00
1200 " - 1400	85.00
800 " - 1200	95.00
700 " - 800	95.00
Less than 700 Kilos	125.00

Automobiles with bodies and bodies separately imported are dutiable on their total weight at rates prescribed for chassis plus for each vehicle or for each body the following duties:

Passenger cars - open and their bodies:

2 - 4 seats	400.00
5 - 7 "	500.00
8 or more seats	600.00

Passenger cars, closed or capable of being closed including limousines and their bodies each

2 - 4 seats	600.
5 - 7 "	750.
8 seats or more	1000.

Surtax. There is a minor statistical tax on each declaration according to the amount of the declaration.

Sales Tax. Effective May 14, 1928, the following new luxury tax rates on motor vehicles went into effect based on the c.i.f. value at port of entry plus duty.

Automobiles up to 14 horsepower inclusive	5%
14 " to 24	10%

In addition there is a road tax. Pengoe Annual per Horse-power

Passenger cars up to and including 10 horsepower	15
10 - 16	23
over 16	30

Duties are payable in Hungarian Pengo. 1 Gold Crown = 1.16 Pengo.
1 Pengo = \$0.1749.

The production of the domestic industry is so low, and the prospect for any increase in this production is so remote that Hungarian exports will never figure as a serious factor in international trade.

The development of this market in the past has been handicapped by trade restriction and later by a high rate of import duty which has been somewhat reduced. However, it would seem with the improvement in general economic conditions, this market will continue to expand.

Turning to our other important markets the following tabulation will give an accurate picture of the development of our automotive exports to Oceania, whose principal markets will be subsequently discussed.

	¹ 1913		1923	
	Number	Value	Number	Value
Oceania:				
Australia	2,083	1,896,990	25,817	20,013,471
New Zealand	958	990,837	4,269	3,745,205
Other Countries	15	16,751	38	25,725
Total	3,056	2,904,578	30,124	23,784,401

	1924		1925	
	Number	Value	Number	Value
Oceania:				
Australia	39,564	27,030,093	48,357	34,336,224
New Zealand	4,065	3,678,912	7,700	6,765,531
Other Countries	91	62,505	90	71,436
Total	43,720	30,771,510	56,147	41,173,191

	1926		1927	
	Number	Value	Number	Value
Oceania:				
Australia	48,954	33,986,337	40,954	26,685,615
New Zealand	8,989	7,372,495	5,389	4,014,655
Other Countries	137	102,716	154	115,261
Total	58,080	41,461,548	46,497	30,815,531

	² 1928	
	Number	Value
Australia	38,352	23,474,735
New Zealand	10,251	6,875,717

AUSTRALIA

The topography and geographical features of Australia, which has an area approximately the same as continental United States, are very similar to those of the American continent. It is, therefore, easy to understand why the American automobile predominates since these scattered regions require a rugged, dependable and powerful vehicle in which there is built the maximum of uninterrupted service over long periods of hard usage.

The motor vehicle, especially the motor truck and bus are economic necessities, and are playing a large part in the development of this vast country rich in natural resources due to the great distances between the important centers of population; also this has been due to the fact that in many areas railroad expansion has been found uneconomical in comparison.

Motor transport, however, has been held back greatly by the lack of suitable roads. The present road mileage is ¹ 360,000 of which but 40,020 are improved. Untold wealth has been lost by wool growers in time of drought, because motor transport, owing to poor roads or lack of them, could not be used to transport sheep to good grazing a few miles away. However this lack of a highway is to be remedied, as an expenditure of ² £35,000,000 during the next ten years is to be used for the extension and improvement of the present highway system.

Australia has been our leading market for automobile trucks since 1923, also for passenger cars during the same period with the exception of the year 1928 when it ranked as the third leading market taking ³ 38,352, valued at \$23,474,735. The demand

¹ Ref. 28 P. 23 P. 273

² Ref. 45

³ Ref. 12.

is principally for cheap and medium priced cars.

The 1928 registration totaled 515,851¹, consisting of 419,418 passenger cars and 96,433 trucks.

An outstanding feature of the automotive market of Australia during 1928 when total imports from all countries decreased 41.8%² was the improved competitive position of American trucks and cars. American car exports decreased in number only 6.3%³. The position of American cars and trucks improved considerably despite advertising campaigns conducted by foreign manufacturers. The failure of the New South Wales branch of the Cheney organization (distributors of Morris cars), and the well known difficulties of that organization in other States weakened the position of one of the important factors of British car competition.

At the present time American automobiles dominate this market although this favorable position has not been maintained without vigorous attempts on the part of foreign manufacturers to gain a stronger foothold; also notwithstanding the preference given British cars as shown by the tariff schedule quoted below.

	<u>General Rate to U. S. and Canada</u>	<u>British Preferential</u>
	4	
Single Seated	L 40	L 30
Doubled " "	60	50
Limousines, taxicabs and similar type cars	75	65
or	55%	
(whichever rates returns the higher duty)		

¹
Ref. 28 P. 279

^{2 & 3}
Ref. 45

⁴
Ref. 25

General Rate to
U. S. and Canada

British Preferential

Chassis (not including tires or bumper bars, storage batteries, shock ab- sorbers)	17½% Unassembled	Free
---	------------------	------

	25% Assembled	5%
--	---------------	----

Parts (being complete sets
of metal panels)

For single seated bodies	£ 20	per set	£ 15
" doubled " "	30	"	25
" bodies with fixed or movable canopy tops	37 10s.		32 10s

Other Parts	55%	40%
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Although there has been a rapid development of this market the ratio of motor vehicles to population being 12.3, there is still much room for further expansion. This is especially true in Western Australia where new lands are being developed for which the American automobile is particularly adapted.

NEW ZEALAND

New Zealand although a relatively small country is an important market. In per capita motor-vehicle registrations it ranks third in the world with one car to every 11 inhabitants. During 1928, 125,690 passenger cars and 25,764 trucks were registered.

The country in parts is very mountainous; numerous mountain chains and innumerable rivers, fed by heavy rainfalls, make railway construction both difficult and expensive; consequently the need of motor transportation for both passenger and freight is intensified.

At present there are ^{three} organizations which assemble cars locally. Two companies bring in completely knocked-down chassis and do the major portion of their assembling here. One of them assembled more than 2200 cars during 1926. Another company assembles 6-cylinder cars at the rate of eight a day.

It is estimated that 70% of the retail sales in passenger cars are made on the time payment or hire purchase plan. Some of the largest motor companies do their own financing, and there are a considerable number of companies in operation who finance car sales both to dealers and to the public.

The New Zealand tariff on motor vehicles is comprised of two duties, the general rate and the special ⁴body-protection rate.

On British cars the general duty is 10% ad valorem and the body-protection duty is a further 10% (assessed not only on the body but on the whole car) on the first £200 for duty purposes and 5% on the remainder of the body value in excess of £200.

NEW ZEALAND

New Zealand although a relatively small country is an important market. In per capita motor-vehicle registrations it ranks third in the world with one car for every 11 inhabitants. During 1938, 128,890 passenger cars and 25,764 trucks were registered.

The country is partly a very mountainous; numerous mountain chains and numerous rivers, for heavy rainfall, and railway construction both difficult and expensive; consequently the need of motor transportation for both passenger and freight is intensified.

At present there are 7 organizations which assemble cars locally. Two companies bring in completely knocked-down chassis and do the major portion of their assembling here. One of them assembled more than 2500 cars during 1938. Another company assembles 8-cylinder cars at the rate of eight a day.

It is estimated that 70% of the retail sales in passenger cars are made on the time payment or hire purchase plan. Some of the largest motor companies do their own financing, and there are a considerable number of companies in operation who finance car sales both to dealers and to the public.

The New Zealand tariff on motor vehicles is comprised of two duties, the general rate and the special body-protection rate. On British cars the general duty is 10% ad valorem and the body-protection duty is a further 10% (assessed not only on the body but on the whole car) so the first 20% for duty purposes and 25% on the remainder of the body value in excess of £200.

1

On foreign cars the general duty is 35% ad valorem and the body protection duty is a further 15% (assessed not only on the body but on the whole car) on the first £200 for duty purposes, and 7½% on the rest of the body value in excess of £200. Cars manufactured in Canada do not gain any preference for the customs authorities have ruled that products classed as British must contain at least 50% British workmanship. This ruling has caused with the exception of 1 or 2 American makes a decrease in imports from Canada.

2

The registration fees on all motors except motor cycles are £1

License fees:

Private motor car	£2
Public " "	2
Motor coach or motor omnibus	5

There are also the "Hutt Road" fees which are the annual fees levied on vehicles in use on the "Hutt Road" (the main highway extending eight miles) to all roads leading north as follows -

Motor cars 2 s. 6 d. and motor busses are taxed according to the number of passengers they carry. A reduction of 15% is made on all vehicles equipped with pneumatic tires.

During 1928 a marked increase in automotive business took place and the United States maintained its position, supplying approximately 78% of the country's motor requirements. The principal competition was offered by the British "Baby Austin". Other British competition generally declined.

The outlook for the future of this market is most promising considering the high potential purchasing power and the extensive road improvement program now in operation.

AFRICA

The automobile is accomplishing some of its most special achievements in portions of Africa, readily becoming acclimated in torrid equatorial regions. Much of Africa is sparsely settled and the distances are great so that the automobile is rendering a practical service beyond what was previously known or hoped for and it cannot be duplicated by any other agency or means. The tremendous natural resources of Africa and its ability to produce things that the civilized countries need are becoming realized. The motor car has brought remote sections together. A sturdy car is required, and under the standardized mass productions practices applied to American cars parts are interchangeable and the design is such that most parts are accessible and readily replaced where repair is required. These conditions have contributed in no small measure to the serviceability, dependability and good name which the American made product so deservedly enjoys.

Several automobile manufacturers have sponsored successful endurance runs the length and breadth of the African continent. Most of these trials were through areas which could boast of no highway development. Perhaps one of the most outstanding accomplishments was the conquest of the Sahara Desert.

The following tabulation shows our steady increase in the passenger car exports to the leading markets of Africa.

	1913		1923	
	Number	Value	Number	Value
Africa:				
Brit. So. Africa	1,279	\$1,157,895	4,853	4,159,040
Egypt	16	10,156	219	133,165
British E. Africa	14	12,802	213	145,504
Other Countries	50	36,493	881	534,722
Total	1,359	\$1,217,346	6,166	4,972,431

	<u>1924</u>		<u>1925</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
Africa:				
Brit. So.Africa	7,622	6,443,944	11,990	10,862,619
Egypt	309	195,366	579	400,443
British E.Africa	583	408,177	793	663,388
Other Countries	1,126	674,405	1,701	1,037,727
Total	9,640	7,721,892	15,063	12,964,177

	<u>1926</u>		<u>1927</u>	
Africa:				
Brit. So.Africa	14,679	11,703,202	17,880	12,910,905
Egypt	859	595,964	3,433	2,189,402
British E.Africa	778	663,172	680	565,878
Other Countries	1,209	839,643	1,336	1,076,547
Total	17,525	13,801,981	23,329	16,742,732

¹	<u>1928</u>	
Brit. S.Africa	21,845	15,469,168
Egypt	2,752	1,896,279
Brit. E.Africa	572	551,536

Notwithstanding the inadequacy of the road system the motor car has become a practical necessity in S. Africa. the European population of 1,700,000 accounted for a motor registration in 1928 of 114,000 automobiles, 11,000 trucks and 850 busses, and 32,280 motor cycles. Imports of motor vehicles amount to \$15,000,000 yearly, and two large American manufacturers operate branch assembly plants at Port Elizabeth. The principal demand in this market is for cheap and medium priced automobiles.

Rural development while stimulating the demand for private vehicles also encourages motor transport service since many districts which cannot provide remunerative railway traffic can be adequately served by motor transport. An indication of the possibilities in this direction is to be found in the fact that the motor feeder service of the African railways has been tripled in the past year.

If the central government in response to agriculture should take a hand in developing a construction program involving a system of national roads, provincial main roads, and the necessary bridges the U. of S. Africa would become an even better market for automotive vehicles.

Automobiles from all countries including the United States are subject to the maximum tax as shown below:

	<u>Maximum</u>	<u>Minimum</u>
1 Motor cars of a value of not over £400	Ad Valorem 20%	20%
" " " " " £400 but not exceeding £600	22	22
" " " " " exceeding £600	25	25
Chassis not including rubber tires for bodies to be manufactured in the Union	10	10
Chassis not including rubber tires to be constructed in the Union on foreign metal sheets, etc.	15	15
Spare parts	15	15

Basis: = domestic market value including cost of carriage to port of shipment but not including agent's commission, or the actual selling price to the S. African importer, whichever value shall be higher.

The United Kingdom enjoys the minimum rates on motor cycles, machinery apparatus, electrical material used in connection therewith, and mechanics' tools.

Although the Union's trade is predominantly British,² we supply about 85% of the imports of motor cars. However, a definite campaign from London has been started to push British motor vehicles of all kinds in South Africa. Concrete

results have not been noticeable, although the British express the hope that within two years a united front will be put up by manufacturers in the United Kingdom to resist American competition.

A generally temperate climate conducive to outdoor life, the high purchasing power of the European population, and the fact that the permanent colonization is directed towards agriculture are the major factors in the bright outlook for the future of motor transportation in the market.

EGYPT

Egypt, one of the oldest civilized countries of the world decidedly prefers American automobiles as shown by the following tabulation of automotive imports.

¹

1928 (10 months)

Countries of Origin

U.S.A.	2,627
France	306
Italy	361
United Kingdom	241

During 1928 American automotive imports which are principally cheap and medium priced cars showed about a 32%² increase over 1927, whereas the French and Italian exports fell off 37% and 53% respectively.

Two of our largest American manufacturers have plants located at Alexandria.

³

During 1928 there were 21,905 passenger cars, 3,429 trucks and 1,196 busses registered in Egypt.

It is a recognized fact that American automobiles stand up better than any other car under rough usage where the roads are exceedingly poor as they are in this country. No doubt this accounts for the popularity of the American car in Egypt.

The import duty on automobiles in Egypt is very favorable, being 8%¹ ad valorem to all countries, based on the c.i.f. value at the port of entry. There is also a wharfage tax of 1/2% which is levied on all imports at Alexandria.

In the past the resident European population made up the motor buying public, but now native Egyptians (estimated at four-fifths of the population of 1927 census of 14,168,756)² are buying motor cars in increasing numbers. There should, therefore, be an even greater expansion of the market in the future.

American automobiles enjoy a distinct preference in British East Africa, which is rich in minerals as well as agricultural resources. However, sales of the Austin "7" and the low powered Fiat are increasing, but it cannot be said that any of the British or Continental cars on the market are making any appreciable inroads in American sales.

The roads in East Africa are poor, as is true for the other sections of this vast continent where the American automobile is particularly adaptable.

The import duty on motor³ cars (complete) and motor chassis to all countries is 300 shillings, plus 5% ad valorem (c.i.f. value). The par value of the E. African shilling is \$0.2433.

¹
Ref. 25

²
Ref. 6, P. 606

³
Ref. 25

The future of this market appears to be most promising in view of the rapid agricultural development and the proposed improvement in highways.

The Asiatic markets are also very important, and there has been a steady increase in our automotive exports, as will be noted from the following tabulation.

	<u>1 1913</u>		<u>1923</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
Asia:				
Netherland E. Indies	278	198,378	1,330	1,130,324
British India	439	355,573	1,998	1,349,253
Japan	312	364,507	3,734	2,104,521
Phillippine Islands	517	577,040	1,443	1,114,188
Other Countries	602	499,632	3,146	2,160,114
Total	2,148	1,995,130	11,651	7,858,400
	<u>1924</u>		<u>1925</u>	
Asia:				
Netherland E. Indies	1,271	1,078,946	1,799	1,677,945
British India	2,261	1,653,999	2,669	2,280,845
Japan	4,147	2,770,116	1,095	1,144,143
Phillippine Islands	2,255	1,724,458	3,173	2,238,069
Other Countries	3,994	2,722,681	5,869	4,084,462
Total	13,298	9,950,200	14,605	11,425,464
	<u>1926</u>		<u>1927</u>	
Asia:				
Netherland E. Indies	2,499	2,205,569	7,086	4,979,024
British India	2,530	2,209,760	3,531	2,978,304
Japan	1,642	1,599,791	2,685	2,316,285
Phillippine Islands	4,546	3,080,391	3,422	2,659,756
Other Countries	6,106	4,192,824	4,566	3,314,988
Total	17,323	13,288,335	21,290	16,248,357

Netherland E. Indies have become one of the principal American automobile markets, and there are many factors favorable to the extension of the trade. The road system is excellent. According to the latest data the Netherland E. Indies have a far greater road mileage than most Asiatic countries. There are 11,625 kilometers of first class, ²17,454 kilometers of

second class and 8,882 kilometers of third class roads. Extensive highways systems on the various islands, and the total absence of railways on most of them favor rapid increase in motorization.

Motor cars are also used in transporting produce from estates to factories. The individual use of passenger cars, however, furnishes the primary demand for motor vehicles, and the demand has grown remarkably in the recent prosperity enjoyed by the native population. The recently acquired wealth has been freely spent and the automotive is a readily accessible luxury. In connection with the native use of cars it is interesting to learn that the natives employed in an assembly plant for American cars recently established in the Islands were found entirely capable of handling American machinery.

Richly endowed climatically and geologically, the Netherland E. Indies ranks among the world's most important sources of rubber, tin, petroleum, sugar, cocoanut products, tobacco, spices and fibers and are noted for a variety of minor tropical products which are gaining importance in the industrial centers.

The United States enjoys ¹75% of the automobile trade in the Outer Possessions compared with 60% in Java. Italy is the nearest competitor to the United States.

During 1928 there were 40,²726 passenger cars, 9,157 trucks and 2,093 motor cycles registered. This, however, is not very large considering the total area of these islands of 733,³642 miles, and the population of 51,014,⁴000, nearly three-

¹ Ref.20 ² Ref.28 ^{3&4} Ref.6 P.645

quarters of which dwell on the Islands of Java and Madura.

The import duty on automobiles to all countries is very favorable, being but 12%¹ ad valorem; the basis being the c.i.f. value at port of entry.

Judging by the expansion which has already taken place the outlook for the future of the American automobiles in this market is most promising.

BRITISH INDIA

Notwithstanding the difficulties of selling to the Indian market, it is the general consensus of opinion that few countries stand higher in the world today as a field for the development of new sales opportunities. The standard of living has shown a gradual upward trend, and there are many who believe that there is being born in India a middle class.

In recent years a series of satisfactory rainy seasons has raised the status of the agricultural classes, estimated to comprise about two-thirds of the entire population of nearly 320,000,000.² As a result there has been a steady increase in the demand for automobiles and trucks which are used extensively throughout the country. On January 1, 1928, there were 10,410³ passenger cars, 1872 trucks and 2,135 busses registered in India.

The American automobiles are offering stiff competition to all foreign cars. Among the foreign makes the Fiat has been steadily losing ground, until at present sales are no more than a third of what they were a year ago. Counting all

¹
Ref.25

²
Ref. P.573

³
Ref.25

types of motor vehicle sales for 1928, the American makes constitute ¹75% of the total.

Recently a new assembly plant was opened at Bombay by a large American manufacturer with an average capacity of thirty cars daily for the first month. Another large American manufacturer has three assembly plants located at strategic points.

The import duty on automobiles to all countries is ²20% ad valorem based on the c.i.f. value.

There is every reason to believe that there should be a still further expansion in this market. Better financing facilities are, however, needed, which would help materially.

JAPAN

In 1914 there were but 873 passenger cars registered in Japan, while in 1928 the registration was ³46,433⁴ for this type vehicle.

Local assembly of automobiles did not become important prior to 1922 and since that year a steady increase. During the year 1927 of the 3895 fully assembled passenger cars and trucks imported into Japan the United States supplied approximately 81%. The roads suitable for motor traffic in 1927 covered a mileage of approximately ⁵73,200⁶, a slight increase over the previous year; in addition there are some 550,000 miles of narrow unimproved roads a considerable portion of which have proved practicable for motor vehicles. A broad system of road improvement is planned for the near future, and there is little doubt that Japan will soon be provided with an adequate network of highways, and its motor vehicle registration

¹ Ref.56 ² Ref.25

³,526
Ref.57

⁴ Ref.28

may double in the next two years.

Japan for many years will be unable to manufacture automotive vehicles on a competitive basis because of the limited domestic production of steel, and the comparatively high cost of this essential raw material; the smallness of the home market and the lack of large scale production. Japan is now producing several hundred automotive vehicles per annum under a subsidy of the war department, the purpose of which is to make the country independent of foreign producers in case of war. In other words, the present domestic industry is military rather than an industrial undertaking. Even with this encouragement, production has not been great; therefore, Japan on a nonsubsidy basis cannot compete with imported vehicles for many years.

The population of Japan proper on December 31, 1925 was 62,044,689¹, or 421 per square mile.

The preferential rate of duty on automobiles from the United States, also from Belgium, Denmark, France, Norway, Spain, Sweden, Switzerland and the United Kingdom is rather high, being, 35%² ad valorem; on parts 25% ad valorem, excluding motor machinery on parts not otherwise specified 35% ad valorem. The basis is the wholesale market value at the port of entry.

While predictions can never be strictly relied upon, yet it may be safely stated that the end of 1929 will bring a total of approximately 100,000 motor vehicles in operation,

and that within the next four years they should number 200,000. This prediction may appear optimistic, but it is believed possible on a mere continuation of the present rate of growth. Moreover most of this business is certain to go to American manufacturers; it will be many years before domestic production becomes important, and European competition is fast becoming a negligible factor.

PHILIPPINE ISLANDS

The great natural resources of the Philippine Islands have made possible an almost phenomenal commercial development within the last 25 years. The Philippine Islands have become an important source of raw materials essential to the industrial growth of the western world. Accompanying the development of export markets there has been a corresponding advance in demand for production of foreign manufactures, including automobiles.

Naturally enough, American automobiles, parts and accessories monopolize the Philippine market upon which there is no import duty providing there has been no drawback of customs duty on same in the United States; also, providing they are shipped on a through bill-of-lading.

On January 1, 1928 there were 20,547¹ passenger cars, 2,753 busses, 5,510 trucks and 767 motor cycles registered.

It would seem unquestionable that a further expansion is certain in view of the ratio of motor vehicles to population, which is but 348.7;² and also considering the improvement in the highway system which is being carried on.

¹
Ref.25

²
Ref.28

At the present time it is an undeniable fact that the Pan-American markets mean more to the American manufacturer than the European. Of the various South American countries, our best export market now is Argentina. At first only European passenger cars of low horsepower were used, chiefly in the cities, as the country roads were unsuitable for automobiles.

It was, however, the American light car that was the pioneer in the Argentine country district, as this was found to be the only type of car suitable for rough country use.

Previous to the War Argentina imported a far greater number of automobiles from France than from any other country, as shown by the following table. The values are in Argentina gold pesos (1 peso equals \$.965).

	Total Automobile Imports 1909-1913		Average Annual Imports 1909-1913	
	No. of Cars	Value	No. of Cars	Value- Pesos
France	5415	6,191,925	1083	1,238,385
Germany	1894	2,253,280	378	450,656
United States	2856	2,160,237	571	432,047
Italy	1537	1,789,600	307	357,920
United Kingdom	1369	1,453,724	273	290,744
Belgium	848	1,097,797	169	219,559
Switzerland	157	200,262	31	40,052
Spain	75	82,497	15	16,499
Netherlands	33	33,056	6	6,611
Other	101	67,838	24	13,570
Total	14285	15,330,216	2857	3,066,043

Since 1914 the United States has held the leading position in the automobile trade of Argentina. Exports of automobiles to this country from the United States have increased approximately ¹four times the number and two and one-half times the value for the five fiscal years, 1915-1919 inclusive as compared with the five-year pre-war fiscal period, 1910-1914.

The table below shows the number and value of exports of motor cars and trucks from the United States in the fiscal years 1913-1919 inclusive.

	² <u>Number</u>	<u>Value</u>
1913	1062	\$1,181,735
1914	940	963,586
1915	626	294,129
1916	4399	2,065,439
1917	3924	2,336,001
1918	3525	2,666,898
1919	1634	2,084,325

The activity of the United States during the War in this important market has resulted in a constantly increasing demand for American cars, so much so that during the year 1928 there was shipped from the United States to this country a total of 39,734 ³automobiles. Argentina was the second largest market for United States automotive products in 1928.

Canada, Italy and Belgium also export automobiles to this country, but the American cars far outnumber all foreign cars. The American method of having a garage and repair

station in connection with the salesroom have been helpful in popularizing the American car.

The import duty on automobiles and trucks in Argentina is rather high, being 25% ad valorem to all countries plus a surtax of 7% ad valorem. The duty on parts, such as bearings of all kinds with interior fittings is 10% of the valuation, plus the surtax of 7%. The taxation is based on the horsepower, weight, seating capacity, and also whether or not the motor vehicle is open or closed, the closed taking the higher rate.

The problem of how to assess to cover the road expenditure has been the stumbling block in the past in the way of Government construction. The lands are held mostly in vast tracts, many of which exceed 100,000 acres in extent. The owners of most of these estates strive to prevent the impost of land taxes, for road building.

Provinces and the general government object to constructing roads for miles across private estancias. There is a feeling among ranchmen that the provincial or Federal Governments should provide them with roads to bring their grain to the railroads. Public sentiment does not favor Government construction of perhaps ^{twenty} 20 miles of road for the benefit of one man. The development of a great national highway system depends not only upon a sound financial scheme but also on the education of the conflicting interests to a broader point of view.

Calculations have been made proving that Argentina lost ¹ 110,000,000 pesos annually in wheat and other products which could not be hauled over the bad roads to the railroads. However, legislation now pending in the Argentina legislature is expected to provide a very large program of highway construction improvement.

Based on estimates of the total imports during 1928 approximately but ² 3.6% of the passenger cars are imported from Europe. In 1927, ³ 4.5% of the passenger cars imported and 6.1% of the trucks came from Europe. It will be seen that Europe is supplying fewer cars and trucks in 1928 than in 1927 and the competition is not sufficiently important to cause American manufacturers any anxiety.

Notwithstanding the fact that there were ⁴ 246,064 passenger cars, 53,775 busses, and 2,592 motor cycles registered in 1928, there is still opportunity for further development of this market considering the vast total area of the ⁵ country and population of over ten million.

1-3
Ref. 26

⁴
Ref. 28

5
Ref. 6, P. 586

BRAZIL

Brazil is our next largest market in South America, the largest country in South America₁ and the fourth largest in the world with an area of 3,216,358 square miles and population of 38,870,972.² As was true in Argentina, France furnished the greatest number of motor vehicles in the years preceding the War. During the year just before the War France³ furnished 25% of the entire Brazilian importations of automobiles, the United States held second place and Germany third. In 1914 the United States occupied first place, although the total importations declined more than 75% as compared with the year preceding. Since then American cars have been imported into Brazil almost exclusively. The following table shows how much our automotive exports to this country expanded, and the relative position of the other countries.

Country of Origin	<u>1913</u> ⁴		<u>1914</u>		<u>1915</u>	
	No.	Value	No.	Value	No.	Value
Germany	613	\$1,020,675	114	\$160,083	3	\$ 2,261
Belgium	83	133,222	35	50,265		
United States	814	795,754	213	165,152	169	123,390
France	953	1,555,232	186	335,006	10	20,044
Great Britain	112	225,335	46	81,812	8	10,924
Italy	412	587,711	92	115,846	15	21,189
Other						
Countries	<u>231</u>	<u>507,029</u>	<u>28</u>	<u>186,077</u>	<u>9</u>	<u>12,550</u>
Total	3,218	4,824,958	714	1,094,241	214	190,358

	<u>1916</u>		<u>1917</u>	
Germany				
Belgium				
United States	465	406,787	1574	1,354,793
France	11	15,756	1	2,992
Great Britain	3	6,664	1	995
Italy	13	13,351	5	9,164
Other				
Countries	<u>29</u>	<u>31,433</u>	<u>67</u>	<u>44,332</u>
Total	521	465,991	1648	1,412,236

1&2 3&4
Ref. 6, Ref. 43
P. 592

European competition is relatively unimportant in Brazil at the present time. American automobiles are regarded as the standard of quality. In 1926 slightly less than 96% of the Brazilian imports of passenger cars were of United States origin, and in 1927 this percentage rose to 98½.

The following tables shows our automotive exports from 1919 to the present time.

	³ 1918	1919	1921 ⁴	1922 ⁵	
Number	1108	3273	388	1672	
	⁶ 1923	1924	1925	1926	1927
United States	12,681	23,273	39,996	17,204	15,624
Italy	222	475	563	589	63
France	28	111	144	128	58
United Kingdom	13	14	70	21	34
Germany	21	4	67	7	8
Belgium	6	12	0	1	3
Others	24	278	2,874	9	36
Total	12,995	24,167	43,714	17,959	15,286

During 1928 the United States exported to Brazil a total of 22,711 automotive vehicles classified as follows:

Up to \$1000	-	18416
\$1000 " \$2000	-	3674
Over \$2000	-	621

Brazil is composed of a loose organization of twenty states. The State of Sao Paulo is the most important automotive market in South America outside of the Republic of Argentina, and accounts for about 55% of the entire automotive business in Brazil. This state alone has a population of 8,000,000. The world's greatest coffee region is in this and other States of Brazil near Rio de Janeiro.

The importation of passenger cars to this State for the last few years are as follows:

		American	European
10	1926	15,581	708
	1927	13,037	420
(Through May)	1928	10,800	736

The greatest competition in this State comes from Italy. Fiat is the only European organization actively operating with a factory warehouse branch. Little activity is noted among the other European cars represented here, such as Renault, Bugatti, Italia, Lancia and Citroen, although the latter is reported to be considering the establishment of a factory branch at Sao Paulo.

One American factory has a direct factory branch with a warehousing operation in conjunction with it, and two other American companies have assembly plants, and branch warehouses performing semi-knocked down assembly in certain other cities of Brazil.

It is estimated that ~~80~~¹% of the sales in this country are made on the installment basis. Two large American companies operate through their own finance corporations.

The duty on passenger cars imported into Brazil is listed as 7%² ad valorem, but when paid 60% gold and 40% paper, plus the additional 20% of the duty as a "good roads" tax, the actual duty will run about 31%, not including the 2% port improvement tax (gold). This duty which is a considerable increase over the former duty has little or no effect on the automobile market.

In some States, for example Sao Paulo, there is a road tax as follows, which must be paid before municipal licenses are granted.

Passenger automobile road tax ³		
Up to 25 horsepower		\$8.40
25 - 35	"	12.00
35 - 60	"	18.00
more than 60	"	24.00

The future market of the automobile in this country is assured by its need as a means of transportation in the exploitation of the practically unlimited resources of the Republic.

These resources have not been developed principally due to lack of transportation in a country larger than continental United States.

Our trade relations in South America have been steadily improving due to the efforts of our National Chamber of Commerce and great banking concerns who have succeeded in overcoming the lingering feeling of distrust bred through our Spanish War, and our intervention in Latin America for the protection of American lives and property. That these friendly relations may continue, Mr. Hoover while President-elect made a "Good-Will" tour of South American countries, and was cordially received in every country he visited. Now, as President of the United States, Mr. Hoover will undoubtedly see that these pleasant relations continue, thus smoothing the path of our American exports to these important markets.

CANADA

The North American markets notably Canada, Mexico and Cuba are also important. Canada, however, is in the lead, taking a total of 42,253¹ passenger cars in 1928 valued at \$33,444,917.

European cars enter very little into the field of competition for passenger car sales in Canada. Practically the whole United States trade is in the field competitively either with plants in Canada or shipping from factories in the United States.

The development of the industry in Canada has followed lines very similar to those in the United States, due to some of our largest manufacturers establishing factories there, mainly because of tariff privileges in the British Empire and the possibilities of the Canadian market.

The Canadian production of motor vehicles in 1928 totaled 242,382² units, as compared with 179,053 in 1927. Of this number about 33% was exported, leaving 67% for home consumption.

The aggregate value of Canadian automotive exports in 1928 was \$36,028,481³, a substantial increase over 1927 and 1926, when exports totaled respectively \$28,428,997 and \$32,736,901. Of the 55,612 passenger cars exported, the greater part were cheap cars.

Australia was the best market for passenger cars, which was also true for the years 1925 and 1926, no doubt due to tariff preference as shown by tariff schedule. In 1927 Australia took 6,758 passenger car units, and in 1928 this

figure was increased by 66%. Of the passenger cars shipped to Australia in 1928, 19,654¹ were in the price classification "up to \$500". British India advanced from third to second place with increased takings of 30%². Most of the cars exported to this market were in the low price group - 6869 units³.

Although the United Kingdom dropped from first to third place, shipments of passenger cars to this market increased from 6964 in 1927 to 7203 in 1928. The United Kingdom took half of the high price passenger cars.

The import duty on automobiles is fairly high being 20%⁵ on passenger cars from the United States valued at less than \$1200, and those valued at over \$1200, 27½% ad valorem.

There is also an excise tax of 5% on cars valued up to \$1200, and 10% on those valued at over \$1200. The rate on assemblies and Chassis is 20%.

Canadian automobile manufacturers get a refund of 25%⁷ of duty paid on materials used, providing at least 50% of the cost of producing is incurred in Canada.

Basis: Fair market value at time of shipment on which a cash discount not exceeding 2½% is allowed. Canadian customs in appraising value on motor cars imported from the United States include the United States 3% excise tax.

There is also an internal tax of 3% of duty-paid value applying to all imports, except those exempted.

In the following British areas automotive products from Canada are at lower rates of duty than similar products from

the United States, United Kingdom and the Irish Free State, Australia (chassis only) and New Zealand, British W. India (except Bermuda), and Turks and Caicos Island and Caymans Island, Cyprus, Mauritius, British Honduras, Fiji Islands and British Guiana. However, as the selling price of most automobiles in Canada is higher than in the United States, this seeming advantage for Canadian cars does not exist. This is particularly true in New Zealand, Cyprus and the Fiji Islands where the ad valorem rate is based on the current domestic value. Furthermore, in order that a car may be considered Canadian, the following percentage of the total cost of manufacture must have been incurred in Canada; Australia 25%, New Zealand 50%, all other British areas namely, 25%.

From the survey made, there seems no limit to what may be developed by Americans in the way of international exportation in the automotive industry.

Passenger Cars	1919	1920	1921	1922	1923	1924	1925
	4.00	3.2	2.8	2.4	2.2	2.1	1.7

CONCLUSION

With our constantly expanding automotive production (predicted production for 1929, 5,000,000) the export side of the industry becomes increasingly important. While the major market for our industry is the United States, this market has become pretty well stabilized, and it would, therefore, seem that the greatest expansion is to come in the overseas markets of the world. With this idea in mind our American manufacturers are extending their activities, as I have endeavored to point out.

I have also endeavored to demonstrate how our exports of automobiles have increased by leaps and bounds. During the War we had the advantage of being in the position of not only supplying the nations at war, but all the world markets, which were previously supplied by European manufacturers. For example, during 1913, we exported automotive products to every market of the world to the value of \$26,000,000. It is interesting to note that of this amount \$6,250,000 went to Europe chiefly to the United Kingdom, \$9,250,000 went to Canada, \$3,000,000 to South America and \$3,000,000 to British Oceania. In 1919 we exported motor cars to the value of \$116,266,550. Our ratio of exports to production is as follows:

Passenger Cars	1919	1923	1924	1925	1926	1927	1928
	4.00	3.4	4.6	6.4	6.2	9.5	11.1

Several factors have aided in this expansion, the primary one being the great necessity for motor transportation.

Foreign governments are also realizing that taxation of motor vehicles must be reasonable. They have discovered that the nation as a whole prospers with increased facilities for transport and communication. Improved methods of financing have done much to promote the construction of highways in Europe. For example, Czechoslovakia, Hungary and Germany, among others, have recently enacted laws for the issue of highway bonds, so that all parts of their territory may be developed as quickly as possible.

The greatest impetus was given to the exportation of automobiles when our American manufacturers established assembly plants in foreign countries in 1923, as they realized the advantages that would result therefrom. Sales from these foreign assembly plants have been most satisfactory from the beginning. At the present time there are forty such plants. Savings on inland and ocean freight rates, low duty rates on parts for assembly (in some countries), and lower cost of material and labor in some instances are some of the benefits derived from operating foreign branches. It is safe to say that assembly operations overseas will continue to expand for the reason that anything which tends to lessen the cost of automobiles to the ultimate purchaser will increase the demand.

The sales of automobiles in foreign countries are also being augmented by the creation of automotive financing companies by some of our larger American manufacturers. American banks are also aiding in this particular feature by urging American acceptance corporations to set up branches in foreign countries. I have endeavored to emphasize this particular feature of the industry.

It must be remembered that the tariff and cost of handling and freight add on the average 33% to the retail delivered price in foreign markets compared to the delivered price in the United States. For example, a Buick car overseas is in the price class of a Cadillac in this country.

Also, consideration must be given to the fact that the wealth per capita overseas is very much below the per capita wealth and income in the United States.

European manufacturers have had several handicaps in the development of their automotive industry.

Since the World War in an effort to meet the competition of the American automobiles, mass-production methods have been attempted, with reasonable success. This is especially true when consideration is made of the small domestic demand. Also the European manufacturers have necessarily had to develop a motor car that would come within the tax limitations.

If a gasoline tax could be substituted for the taxes, it would seem that this revenue would more than offset these heavy charges.

In my study of the various markets I have found that the prospective customer in foreign countries is not only handicapped by the initial cost of automobiles, but he is further handicapped by the increased cost of operation including gasoline, oil, tires and services. All such costs in the overseas markets are higher than in the United States. In addition, he is still further handicapped by lower purchasing power.

In many instances the urge to buy through force of circumstances and century-old habits, is very much less. This is particularly true in the large masses of population. Consequently our greatest development has been in the exportation of cheap and medium priced cars.

It would, therefore, seem that any reduction which can be effected in the price means additional sales.

It has also been suggested that if the large American oil companies could be interested in a movement to establish fair prices for gasoline in world markets, their sales volume would be greatly increased, and the use of motor cars would also be considerably greater.

With reference to the organization of the new Ford Company in England and the purchase of the Opel factory in Germany, it would seem that the only sizeable competitor left in the field is Citroen and the Morris and Austin Companies of England. It is thought in England that the only way they could meet the competition of these two American Companies would be by an increase in the protective tariff.

It remains to be seen whether or not these two American motor car manufacturers can capture the world market.

It would seem that as long as our American manufacturers continue to give exceptional value as they have, automotive exports will continue to expand despite the regulations and tariffs, unfavorable economic conditions, propaganda in favor of the use of home goods and competition from European manufacturers. The greatest expansion will probably take place in

the rich, but comparatively undeveloped countries of Australia, Argentina and Brazil, which were our leading markets during 1928.

This survey proved to be both interesting and valuable, entailing as it did a detailed study of the principal export markets.

Ford Motor Car Co.	18-17
General Motors Corp.	27
Other Manufacturers	8
Principal Markets - Exports	24
	104
	119
	121
	122
Total	4

Argentina	121-4
Ab. Exports	122
Imports	123
Protective Tariff	124
Australia	125-7
Australian Exports	126
Protective Tariff	127-9
Registrations	128
Notes	129

I N D E X

	<u>Page</u>
Capital	4
Employment	4
Exports	6-8 24 104 110-11 115 121-122 125-6
Ford Motor Car Co.	10-17
General Motors Corp.	17
Prime Necessities	5
Principal Markets - Exports	24 104 110 111 115
Wages	4

MARKETS

<u>Argentina</u>	121-4
Am. Exports	122
Imports	121
Protective Tariff	123
<u>Australia</u>	105-7
American Exports	104
Protective Tariff	106-7
Registrations	106
Roads	105

I N D E X - Continued

	<u>Page</u>
<u>Austria</u>	96-101
Installment Selling	97-100
Production	96
Protective Tariff	100
Registration	97
Steyr	96
Tax	100
<u>Belgium</u>	73-80
American Exports	78
Exports	74
Installment Selling	75-6
Production	73
Protective Tariff	78
Tax	79
<u>Brazil</u>	125-8
American Exports	125-6
Protective Tariff	127
<u>British East Africa</u>	114
Protective Tariff	114
<u>British South Africa</u>	111-13
American Exports	110-11
Protective Tariff	112
Registration	111

I N D E X - Continued

	<u>Page</u>
<u>British India</u>	117-8
American Exports	115
Protective Tariff	118
Registration	117
<u>Canada</u>	129-31
Exports	129
Production	129
Protective Tariff - Tax	130
<u>Czechoslovakia</u>	91-5
American Exports	92
Exports	95
Installment Selling	93-5
Production	91
Protective Tariff	92
Tax	92
<u>Egypt</u>	113-4
American Exports	110-11&13
Protective Tariff	114
Registration	113
<u>France</u>	41-54
American Exports	43 & 50
Citroen	41-2
Exports	52-3
Installment Selling	44-6
Manufacturers	41

I N D E X - Continued

	<u>Page</u>
<u>France - Continued</u>	
Production	43
Protective Tariff	47-8
Registration	44
Roads	51
Tax	47
<u>Germany</u>	55-64
American Exports	58
Exports	60-1
Installment Selling	58-60
Manufacturers	57
Opel, Adam	55-6
Production	57
Registration	57
Tariff	63
Tax	64
<u>Great Britain</u>	25-41
Employment	25
Exports	38
Installment Selling	33-6
Manufacturers	29
Production	26
Protective Tariff	26
Registration	30
Tax	25

I N D E X - Continued

	<u>Page</u>
<u>Hungary</u>	102-4
Production	102
Protective Tariff	103
Registration	102
Tax	103
 <u>Italy</u>	 65-72
American Exports	66
Exports	72
Installment Selling	69-71
Production	65
Registration	65
Roads	68
Tariff	66
Tax	67-8
 <u>Netherlands E. Indies</u>	 115-17
American Exports	115
Protective Tariff	117
Registrations	116
Roads	115-6
 <u>Japan</u>	 118-20
American Exports	115
Production	119
Protective Tariff	119
Registrations	118
Roads	118

1999

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